EXHIBIT "J"

APPRAISAL REPORT

A Garden Apartment Complex
1865 Burnett Street
Brooklyn, New York

REQUESTED BY

Mr. Alexander G. Hesterberg, MAI, CRE, FRICS
Managing Director
Deutsche Bank
60 Wall Street, 10th Floor
New York, NY 10005

Mr. Michael Kaplan
Managing Director
Deutsche Bank Mortgage Capital, L.L.C.
60 Wall Street, 10th Floor
New York, NY 10005

PREPARED BY

Leitner Group, Inc.
50 East 42nd Street
New York, NY 10017

DATE OF VALUE

January 23, 2007

January 23, 2007

Mr. Alexander G. Hesterberg, MAI, CRE, FRICS
Managing Director
Deutsche Bank
60 Wall Street, 10th Floor
New York, NY 10005

Mr. Michael Kaplan
Managing Director
Deutsche Bank Mortgage Capital, L.L.C.
60 Wall Street, 10th Floor
New York, NY 10005

Re: Appraisal File No.7698
A Garden Apartment Complex
1865 Burnett Street
New York, New York 11229

Gentlemen:

In accordance with your request, we have completed an appraisal of the above captioned property for the purpose of estimating the "as is" market value of the subject property's leased fee interest.

The subject consists of a garden apartment complex containing 144 residential rental apartments units within thirteen, two-story buildings on three non-contiguous tax lots. In addition, the subject contains 105 leasable parking spaces (55 covered spaces and 50 non-covered spaces) and 24 below-grade leasable tenant storage spaces. The property was constructed in 1950, has been renovated periodically, and contains a total gross building area of 112,404 square feet. The leasable area of the subject totals 102,650 square feet. It is noted that there are two additional residential units located below-grade which are occupied rent-free by property staff.

As previously stated, the subject site consists of three non-contiguous tax lots and is located at the northeast corner of Avenue R and Stuart Street, the entire western blockfront of Burnett Street between Avenue R and Fillmore Avenue with additional frontage on Stuart Avenue, and the entire blockfront on the north side of Fillmore Avenue between Burnett Street and Madison Place, in the Marine Park section of the Borough of Brooklyn, City and State of New York. The site is split-zoned both R3-2 and R4 Residential and is designated on the Kings County tax maps as Block 6841/Lot 1, Block 8472/Lot 1, and Block 6816/Lot 33. The total site area contains approximately 158,600 square feet. The street address is 1865 Burnett Street (Block 8472/Lot 1), 3004 Avenue R (Block 6841/Lot 1), and 3001 Avenue R (Block 6816/Lot 33).

It is noted that property ownership is gut-renovating each unit at vacancy for a total cost of approximately $50,000 per unit. As of the date of appraisal, 100 of the 144 units had been renovated, with the work taking place over the last seven years. In addition, property ownership has reportedly spent approximately $4,000,000 in major capital improvements over the last 2-3 years at the subject including new roofs, curbing, paving, video surveillance, landscaping, fencing, etc. All of the units are currently leased under New York City rent regulation guidelines.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), and Title XI (with amendments) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

The highest and best use of the subject property is its continued use as a residential property. This conclusion is based upon the physical characteristics of the subject property, the nature of the subject's location, the current zoning and general trends affecting the property.

After carefully considering all available information concerning the subject property and all apparent factors affecting value, it is the opinion of the appraisers that the "as is" market value of the subject's leased fee interest, as of January 23, 2007, is:

FORTY TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS
$42,700,000

Deutsche Bank Mortgage Capital, L.L.C. and its affiliates, assigns, rating agencies and certain limited investors involved in the securitization (as defined below), may use and rely upon this appraisal in connection with a planned loan securitization involving the subject asset (the "securitization"), including, without limitation, utilizing selected information in the report in any offering memorandum relating to the securitization and Leitner Group, Inc. agrees to cooperate in answering questions by any of the above parties in connection with the securitization.

The opinions of value expressed herein are subject to the certification, assumptions and limiting conditions, and all other information contained in the following written appraisal report.

Thank you for the opportunity to serve you.

Sincerely,

Joel Leitner, MAI, CRE, FRICS
Principal
State Certified General Appraiser #46-3011

Ryan Lipsitz
Associate Appraiser
Direct Phone: (212)682-2868
Fax: (212)682-2233
E-mail: rlipsitz@leitnergroupinc.com

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

SUBJECT PROPERTY:

A Garden Apartment Complex
1865 Burnett Street
New York, New York

BUILDING DESCRIPTION:

The subject consists of a garden apartment complex containing 144 residential rental apartments units within thirteen, two-story buildings on three non-contiguous tax lots. In addition, the subject contains 105 leasable parking spaces (55 covered spaces and 50 non-covered spaces) and 24 below-grade leasable tenant storage spaces. The property was constructed in 1950, has been renovated periodically, and contains a total gross building area of 112,404 square feet. The leasable area of the subject totals 102,650 square feet. It is noted that there are two additional residential units located below-grade which are occupied rent-free by property staff.

It is noted that property ownership is gut-renovating each unit at vacancy for a total cost of approximately $50,000 per unit As of the date of appraisal, 100 of the 144 units had been renovated, with the work taking place over the last seven years. In addition, property ownership has reportedly spent approximately $4,000,000 in major capital improvements over the last 2-3 years at the subject including new roofs, curbing, paving, video surveillance, landscaping, fencing, etc. All of the units are currently leased under New York City rent regulation guidelines.

LOCATION:

The subject site consists of three non-contiguous tax lots and is located at the northeast corner of Avenue R and Stuart Street, the entire western blockfront of Burnett Street between Avenue R and Fillmore Avenue with additional frontage on Stuart Avenue, and the entire blockfront on the north side of Fillmore Avenue between Burnett Street and Madison Place, in the Marine Park section of the Borough of Brooklyn, City and State of New York.

TABLE OF CONTENTS

INTRODUCTION

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject consists of a garden apartment complex containing 144 residential rental apartments units within thirteen, two-story buildings on three non-contiguous tax lots. In addition, the subject contains 105 leasable parking spaces (55 covered spaces and 50 non-covered spaces) and 24 below-grade leasable tenant storage spaces. The property was constructed in 1950, has been renovated periodically, and contains a total gross building area of 112,404 square feet. The leasable area of the subject totals 107,259 square feet. It is noted that there are two additional residential units located below-grade which are occupied rent-free by property staff.

As previously stated, the subject site consists of three non-contiguous tax lots and is located at the northeast corner of Avenue R and Stuart Street, the entire western blockfront of Burnett Street between Avenue R and Fillmore Avenue with additional frontage on Stuart Avenue, and the entire blockfront on the north side of Fillmore Avenue between Burnett Street and Madison Place, in the Marine Park section of the Borough of Brooklyn, City and State of New York. The site is split-zoned both R3-2 and R4 Residential and is designated on the Kings County tax maps as Block 6841/Lot 1, Block 8472/Lot 1, and Block 6816/Lot 33. The total site area contains approximately 158,600 square feet. The street address is 1865 Burnett Street (Block 8472/Lot 1), 3004 Avenue R (Block 6841/Lot 1), and 3001 Avenue R (Block 6816/Lot 33).

It is noted that property ownership is gut-renovating each unit at vacancy for a total cost of approximately $50,000 per unit. As of the date of appraisal, 100 of the 144 units had been renovated, with the work taking place over the last seven years. In addition, property ownership has reportedly spent approximately $4,000,000 in major capital improvements over the last 2-3 years at the subject including new roofs, curbing, paving, video surveillance, landscaping, fencing, etc. All of the units are currently leased under New York City rent regulation guidelines.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the "as is" market value of the leased fee interest of the subject property, in accordance with its highest and best use and the definition of market value provided in this report.

FUNCTION OF THE APPRAISAL

The function of the appraisal is to estimate the market value of the leased fee interest of the subject property, in order to assist our client with mortgage financing decisions.

PROPERTY RIGHTS APPRAISED

The existence of leases within the subject property indicates that the property should be appraised on the basis of a leased fee estate (encumbered). A leased fee estate is created by a lease (or several leases) on a property and reflects the lessor's (landlord's) ownership interest in

the real estate. The lessor's interest consists of the right to receive contract rental payments during the term of the lease and the ultimate return of the rights of use and possession of the property at lease expiration. According to the *Dictionary of Real Estate Appraisal*, "A leased fee estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of the lessor (the leased fee owner) and leased fee are specified by contract terms contained within the lease."

DATE OF VALUE ESTIMATE

The date of our "as is" valuation is January 23, 2007. The subject property was inspected by Ryan Lipsitz on that date.

HISTORY OF THE SUBJECT PROPERTY

The subject property is currently owned by Hoti Enterprises, LP. The property has been held by its current ownership for approximately 30 years. The property is not currently on the market. It is noted that property ownership is gut-renovating each unit at vacancy for a total cost of approximately $50,000 per unit. As of the date of appraisal, 100 of the 144 units had been renovated, with the work taking place over the last seven years. In addition, property ownership has reportedly spent approximately $4,000,000 in major capital improvements over the last 2-3 years at the subject including new roofs, curbing, paving, video surveillance, landscaping, fencing, etc. All of the units are currently leased under New York City rent regulation guidelines.

EXPOSURE TIME

Exposure time has been defined, as the estimated length of time the real property interest appraised would have been offered in the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

Exposure time is always presumed to precede the effective date of appraisal. It is our opinion that a normal exposure time for the subject property is between six months and one year. This conclusion is predicated on interviews with brokers and other real estate industry sources and on information obtained in the verification process. The value reported herein presumes such an exposure time.

ESTIMATE OF REASONABLE MARKETING TIME

Given the subject's present condition and location and the marketing times for similar townhouses in the Manhattan, we estimate the marketing time for the subject to be between six months and one year.

LIMITING CONDITIONS AND SPECIAL ASSUMPTIONS

Information, estimates and opinions furnished to the appraiser and contained in the report were

obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of such items furnished can be assumed by the appraiser.

DEFINITION OF MARKET VALUE[1]

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under condition whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

DEFINITION OF REAL ESTATE-RELATED FINANCIAL TRANSACTION[2]

Any transaction involving:

1. The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or
2. The refinancing of real property or interests in real property; or
3. The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

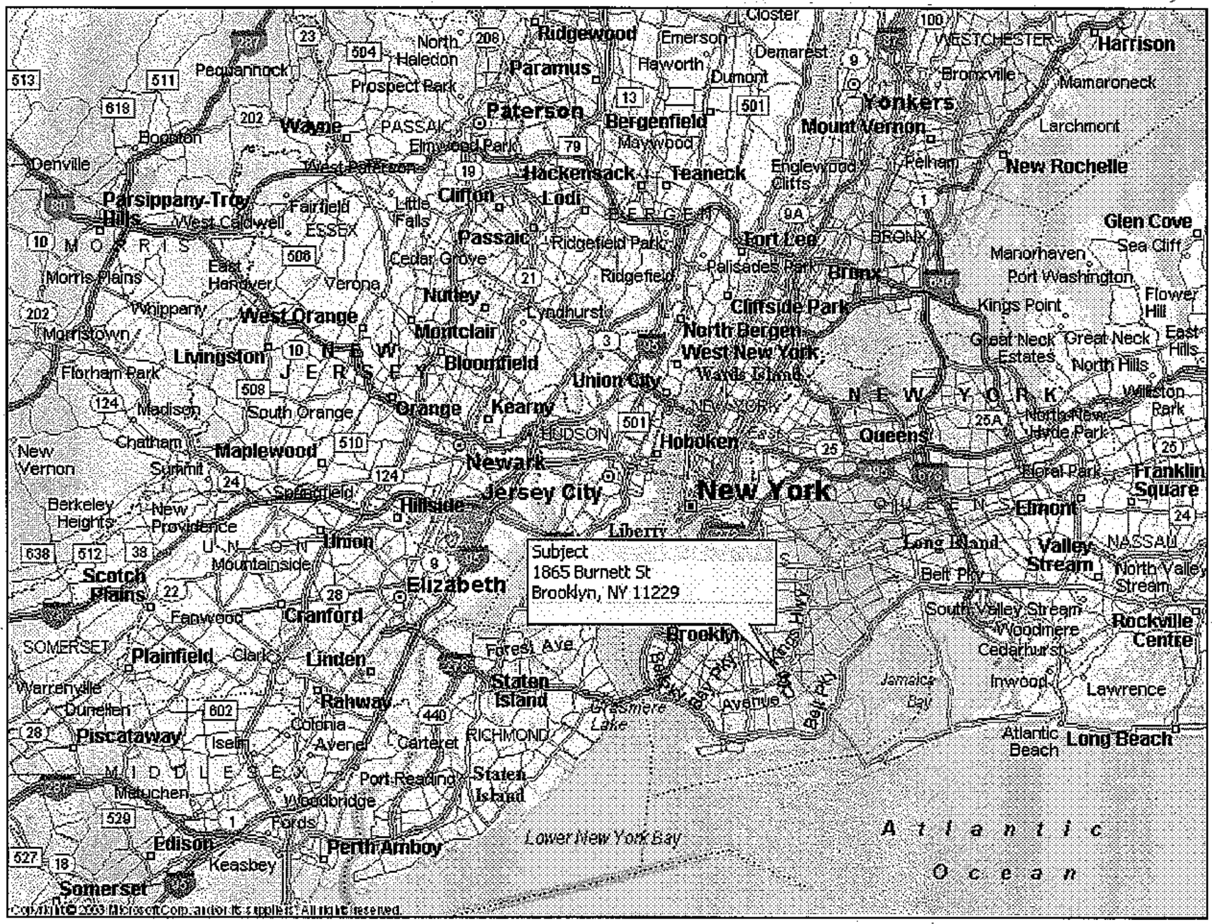
[1] *The Appraisal of Real Estate, Appraisal Institute, Eleventh Edition 2000, page 23*
[2] *12 U.S.C. 3350(5) (FIRREA section 1121(5)*

SCOPE OF THE APPRAISAL

Leitner Group, Inc., has been retained by Deutsche Bank to prepare a market valuation of the subject property. Within the course of this assignment, the appraisers have:

- Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.
- Researched and investigated the subject's location in terms of its economic activity, development patterns, and future trends and related their impact on the subject's residential market.
- Conducted a market survey of rent levels and vacancy levels of similar residential buildings.
- Projected the subject's stabilized net operating income and applied a market-derived capitalization rate in order to derive a current market value for the subject property.
- Researched and ascertained improved comparable sales in supporting or deriving a current market value estimate for the subject property.
- Estimated the "as is" market value of the leased fee interest in the subject property as of January 23, 2007.

AREA MAP


Subject
1865 Burnett St
Brooklyn, NY 11229
New York
Brooklyn
Newark
Jersey City
Staten Island
Queens
Bronx
Yonkers
Paterson
Elizabeth
Atlantic Ocean
Lower New York Bay

AREA ECONOMIC ANALYSIS - NEW YORK CITY

The New York Metropolitan Statistical Area (MSA) consists of the City of New York's five counties and the counties of Westchester and Rockland. The subject property is located in the City of New York, New York County (Manhattan). New York City's five boroughs cover 309 square miles.

The borough of Manhattan, or New York County, forms the central political, financial, and cultural core of the City and is the economic growth engine for the Greater New York region. Seventy-five percent of the City's employees work in Manhattan, which is home to the Midtown and Downtown business districts. The City's other boroughs are the Bronx, Brooklyn, Queens, and Staten Island (otherwise known as Bronx, Kings, Queens, and Richmond Counties). They also have stronger, albeit significantly smaller, economies than Manhattan. Brooklyn and Queens have the largest behind Manhattan.

Population

TOTAL POPULATION 1950-2006

	1950	1960	1970	1980	1990	2000	Est. 2006
Overall	**7,891,957**	**7,781,984**	**7,894,862**	**7,071,639**	**7,322,564**	**8,008,278**	**8,119,187**
% Change	5.9	-1.4%	1.5	-10.4	3.5	9.4	1.4
Bronx	**1,451,277**	**1,424,815**	**1,471,701**	**1,168,972**	**1,203,789**	**1,332,650**	**1,372,440**
% Change	4.1	-1.8	3.3	-20.6	3.0	10.7	3.0
Brooklyn	**2,738,175**	**2,627,319**	**2,602,012**	**2,230,936**	**2,300,664**	**2,465,326**	**2,472,045**
% Change	1.5	-4.0	-1.0	-14.3	3.1	7.2	0.3
Manhattan	**1,960,101**	**1,698,281**	**1,539,233**	**1,428,285**	**1,487,536**	**1,537,195**	**1,571,049**
% Change	3.7	-13.4	-9.4	-7.2	4.1	3.3	2.2
Queens	**1,550,849**	**1,809,578**	**1,986,473**	**1,891,325**	**1,951,598**	**2,229,379**	**2,234,739**
% Change	19.5	16.7	9.8	-4.8	3.2	14.2	0.2
Staten Island	**191,555**	**221,991**	**295,443**	**352,121**	**378,977**	**443,728**	**468,914**
% Change	9.8	15.9	33.1	19.2	7.6	17.1	5.7

Source: 1950-2000, US Census
2006 Claritas Inc.

New York City is home to more than 8.1 million people in 2.9 million households. Brooklyn is the most populous borough with 31% of the City's population. Manhattan's 1.54 million residents, at 57,000 residents per square mile, make it one of the most densely populated residential areas in the nation. While the 1970's and 1980's saw the continuing trend of ex-migration of City residents to neighboring suburbs, due primarily to high housing costs and density of living, the total population is bolstered by the large number of immigrants arriving in the City each year.

The 9.4% increase in the City's census population from 1990 to 2000 can be attributed to the

increasing appeal of the City over the course of the long, recent economic expansion as well as the increasing immigrant population. In addition, more accurate Census counts may have benefited New York during this Census period. The City's population is expected to remain stable over the next 5 years. New York City was one of the nation's few major cities to experience an increase in its population during the past decade. The City's population now totals 42% of the state's total population. Except for Staten Island, each of New York City's five boroughs has a population greater than 1,000,000.

New York City Economic Overview

In the late 1990's, New York City experienced its strongest economic boom of the past half century, both in absolute terms and relative to the United States. Between 1996 and 2000, private sector employment grew at a 2.6% average annual pace. Not only did this growth represent the strongest 4-year run in more than 4 decades, it represented the first time, aside from the 1982-83 national recession, that the City's job growth exceeded that of the nation.

The City's boom was equally strong on the income side. Wage and salary earnings in the private sector expanded at a 9.6% average annual pace between 1996 and 2000 compared with 7.6% nationally. In inflation-adjusted terms, this growth represents a 7% pace—also about 2 points above the adjusted national rate—as well as the strongest 4-year performance in more than 3 decades.

Much of the income growth was driven by dramatic increases in Wall Street earnings, reflecting the bull market then in place. Significantly, the earnings upsurge on Wall Street began even before 1996: wages and salaries in the securities industry, adjusted for inflation, expanded at a 16% average annual pace form 1994 to 1996 and maintained that pace through 2000. This earnings growth is consistent with the finding that the securities industry tends to lead the New York City economy (Bram and Orr, 1999).

The securities industry boom was also a national phenomenon. However, New York City's economy benefited disproportionately because the industry's local shares of employment and income are 8 times its national shares. Moreover, the City's boom was not limited to the financial sector--advertising, motion pictures, publishing, media, tourism, and business and computer services all registered sturdy growth in the late 1990's. This expansion was presumably not attributable entirely to multiplier effects from Wall Street.

As 2000 drew to a close, however, the boom ended and New York City's economy slipped into a recession. Beginning in 2001, New York City experienced an economic downturn that was the result of a national recession and the impact of September 11th. The City recorded its second consecutive year of job losses in 2002. The decline in employment was the worst since 1991 (when there was a decline of 191,300 jobs) with a loss of 118,800 jobs from 2001 to 2002. From 2000 to 2001, the City lost 29,800 jobs after a record gain of 411,300 jobs from 1992 to 2000. The previous recession (1989-92) had a far worse impact on the City than this one has had. More New York City residents were employed in 2002 (3,453,456) compared to 1992 (2,902,214), and the unemployment rate was lower in 2002 (7.9%) compared to 11% in 1992.

UNEMPLOYMENT RATES

	NYC	NYS	USA
Year	**Unemployment Rate**	**Unemployment Rate**	**Unemployment Rate**
1995	8.2%	6.4%	5.6%
1996	8.8%	6.3%	5.4%
1997	9.4%	6.5%	4.9%
1998	7.9%	5.7%	4.5%
1999	6.9%	5.2%	4.2%
2000	5.8%	4.5%	4.0%
2001	6.0%	4.9%	4.8%
2002	8.0%	6.2%	5.7%
2003	8.3%	6.4%	5.5%
2004	7.1%	5.8%	5.4%
2005	5.7%	5.0%	5.0%
October 2006	4.1%	3.8%	4.4%

Source: New York State Department of Labor; U.S. Department of Labor

As of year end 2005, New York City's unemployment rate was 5.7% compared with 5.0% for New York State; both numbers reflected significant decreases from year end 2004 figures. Through the third quarter of 2006, unemployment had ticked downward even further, pointing to a successful economic recovery for New York City. Unemployment rates for both New York City and New York State are currently at the lowest rates in several years and in fact are below the national unemployment rate as of October 2006.

The following information regarding New York City Employment was excerpted from the ***Employment in New York State*** report as of May 2006 prepared by the New York State Department of Labor.

New York City averaged 3,048,500 private sector jobs in the first quarter of 2006, an increase of 1.8 percent from the first quarter of 2005. This strengthening job market is reflected in the unemployment rate, which fell to 5.7 percent in the first quarter of 2006 from 6.0 percent in the first quarter of 2005.

Leisure and hospitality enjoyed the fastest job growth of any sector (+3.1 percent) between the first quarter of 2005 and the first quarter of 2006. This sector has been a key source of strength for the local economy, and is on track for its third straight year of record-high employment. Manhattan's 85 percent hotel occupancy rate in 2005 contributed to this growth. The three main components of the sector – amusement and recreation, accommodation, and especially food

services and drinking places – all added jobs.

Financial activities was the second best performing sector with growth of 2.9 percent over the year. Securities and commodities and related activities (+5.9 percent), credit intermediation (+2.6 percent) and real estate and rental (+1.1 percent) all grew, while funds and trusts (-7.6 percent) and insurance (-1.6 percent) lost jobs. The securities industry, in particular, profited from rising stock and commodities markets and increased mergers and acquisitions activity.

Employment in educational and health services climbed by 2.9 percent. This sector, which includes many non-profit organizations, is the City's largest, accounting for about one in five private sector jobs. Social assistance (+3.6 percent), educational services (+3.0 percent), and health care (+2.6 percent) all registered strong job growth. Benefiting from a strong local economy, job growth in these industries is also being driven by demographic and sociological trends such as population growth, an aging population, and an increase in the portion of the population seeking college degrees.

Natural resources, mining and construction, which only started showing year-to-year growth in late 2004, increased employment by 1.3 percent. Growth was concentrated in construction of buildings (+5.5 percent), while specialty trade contractors (electrical, carpentry, and plumbing contracting firms etc.) actually lost jobs. The sector's economic outlook is positive, as a tightening market for office space, numerous hotel projects, and a variety of large projects including baseball stadiums, the Second Avenue subway line and downtown reconstruction should boost employment going forward.

Trade, transportation and utilities employed an average of 543,200 jobs in the first quarter of 2006, up 1.3 percent over the year. Growth was concentrated in retail trade (+2.3 percent). Job cuts are continuing in the air transportation industry. Most airlines are losing money due in part to higher fuel prices, even as the number of people flying reaches record levels.

Manufacturing was the only major sector to suffer an over-the-year job loss, dropping by 6,400, or 5.5 percent. Losses were particularly severe in apparel (-19.1 percent). One relatively bright spot is food manufacturing, where employment rose over the year by 1.0 percent. Firms in this industry that serve the local retail and commercial markets, such as bakeries and meat processors, showed strength, while operations serving regional or national markets were under increased competitive pressure.

New York City is enjoying a strong economic expansion, which is still gaining strength. Job growth is widespread, with professional and financial industries exhibiting particular strength. As we enter the third year of this expansion, the City's unemployment rate is near the lows reached during early 2001. However, the City's current private sector job count is still more than 100,000 below 2001 levels.

Employment Base

New York City's employment base has historically enjoyed the distinction as an international center of business, commerce, tourism, and culture. The FIRE (finance, insurance, and real

estate) and services (including the professions of legal, engineering services, consulting, tourism, recreation, health care, computers and data processing) segments are considered the primary sources of "white collar," or office prone, employment in the region.

TOP 10 NON-GOVERNMENT EMPLOYERS
NEW YORK CITY

Employer	# of Area Employees
New York Presbyterian Healthcare System	29,921
Citigroup, Inc.	27,144
JPMorgan Chase & Co.	20,257
Verizon Communications, Inc.	18,500
Continuum Health Partners, Inc.	16,108
Federated Department Stores	14,000
New York University	13,494
Columbia University	12,707
North Shore-Long Island Jewish Health System	12,683
Time Warner Inc.	12,500

Source: Crain's Book of Lists, 2006

New York City's largest employers are a diverse group of multinational corporations spanning a variety of industries including financial services/banking, telecommunications, health care, insurance, and pharmaceuticals.

Businesses in New York City can capitalize on the synergy created from the presence of more than 200,000 companies, the access to investment capital and consumers, and the City's attractive quality of life. Companies in New York City include headquarters and regional offices of leading world companies including 39 Fortune 500 firms—the highest of any city in the United States—making New York the nation's headquarters capital.

NONFARM EMPLOYMENT BY INDUSTRY (NAICS)
NEW YORK STATE AND METROPOLITAN AREAS - NEW YORK CITY

Total Private - Data in thousands.													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann. Avg
2006	3,579.5	3,596.7	3,623.8	3,635.0	3,657.1	3,676.9	3,664.3	3,647.5	3,655.0	3,684.8			
2005	2,976.8	2,991.6	3,012.0	3,033.2	3,042.9	3,055.9	3,027.7	3,029.0	3,060.8	3,083.7	3,105.9	3,113.6	3,044.4
2004	2,920.6	2,941.5	2,969.1	2,974.0	2,995.8	3,008.0	2,988.8	2,981.1	3,003.5	3,031.0	3,052.3	3,078.7	2,995.4
2003	2,946.3	2,957.2	2,968.1	2,965.4	2,980.0	2,982.8	2,947.6	2,937.4	2,965.6	2,994.7	3,016.4	3,032.7	2,974.5
2002	2,970.2	2,993.2	3,007.4	3,011.7	3,032.1	3,035.2	2,994.0	2,988.2	3,001.6	3,032.1	3,051.4	3,062.3	3,015.0
2001	3,138.5	3,155.0	3,170.1	3,149.5	3,166.4	3,171.1	3,118.4	3,107.2	3,108.4	3,062.4	3,082.9	3,090.1	3,126.7
2000	3,063.6	3,087.9	3,113.6	3,132.2	3,145.4	3,172.0	3,132.4	3,129.7	3,172.9	3,203.6	3,235.2	3,254.6	3,153.6
1999	2,978.9	3,000.6	3,021.2	3,027.5	3,035.2	3,055.0	3,032.3	3,038.4	3,051.3	3,101.4	3,135.8	3,161.0	3,053.2
1998	2,885.3	2,903.7	2,928.7	2,940.0	2,955.5	2,972.5	2,957.2	2,959.0	2,980.5	3,015.1	3,040.5	3,059.7	2,966.5
1997	2,810.1	2,828.2	2,860.5	2,865.7	2,878.2	2,896.9	2,877.1	2,877.0	2,911.7	2,936.6	2,958.0	2,984.3	2,890.4

Total Private - Data in thousands.													
1996	2,735.4	2,773.9	2,795.1	2,801.9	2,822.8	2,838.4	2,802.3	2,809.2	2,833.5	2,867.3	2,892.2	2,906.1	2,823.2
1995	2,721.4	2,737.1	2,762.0	2,766.2	2,779.5	2,792.6	2,752.0	2,760.4	2,791.8	2,809.4	2,832.5	2,845.5	2,779.2
1994	2,670.9	2,684.9	2,715.3	2,729.2	2,739.9	2,759.2	2,731.2	2,738.2	2,763.5	2,777.9	2,800.5	2,817.4	2,744.0
1993	2,645.4	2,659.5	2,677.5	2,693.5	2,703.0	2,716.2	2,685.7	2,689.9	2,714.0	2,736.8	2,751.9	2,769.5	2,703.6

Data Source: Current Employment Statistics Survey
(Data are not seasonally adjusted. Data are preliminary and subject to revision.)

Office-using employment amounts to approximately 30% of total New York City employment, reflective of the financial and services orientation of the local economy. New York City's prime office inventory is concentrated in Manhattan, south of Central Park, within the two major submarkets of Downtown and Midtown. Brooklyn's central business district in Downtown Brooklyn is anchored by Brooklyn Borough Hall and MetroTech Center, a 16-acre urban corporate campus. Long Island City in Queens is located across the East River from Midtown Manhattan and has long been a center of manufacturing, distribution, and industrial services.

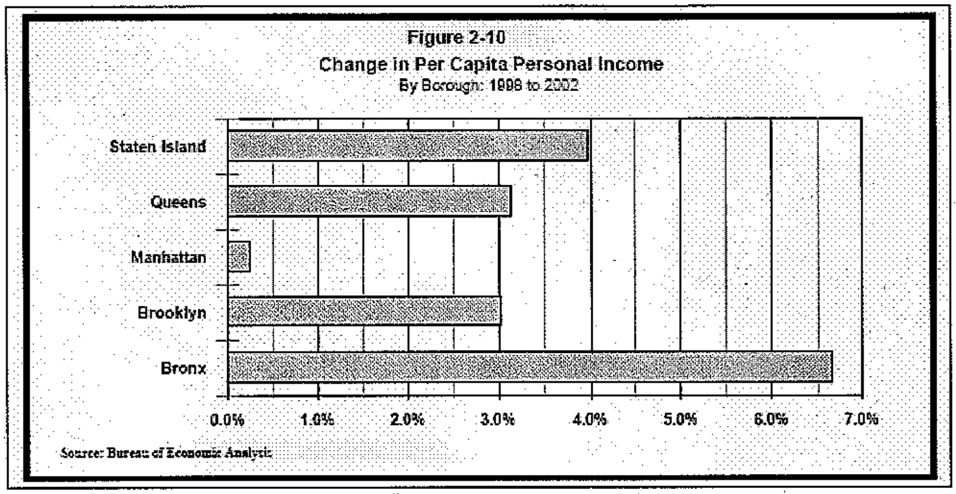
New York City Personal Income

Average household income in the New York City increased by 11.7% between 2000 and 2006 from $58,505 to $65,347, which is slightly less than the 13.1% increase experienced by New York State, which has a slightly higher average and median household income level.

	New York City (5 Boroughs)		New York State	
	2000 Census	**2006 Estimate**	**2000 Census**	**2006 Estimate**
Average Household Income	$58,505	$65,347	$61,856	$69,973
Median Household Income	$38,846	$43,542	$44,138	$49,219

Source: Claritas Inc.

The following statistics are the most recent available concerning New York City personal income. New York City's per capita personal income (adjusted for inflation) increased by 2.4% from 1998 to 2002, while the state and nation experienced gains of 2.8% and 6.2%, respectively. However, from 2001 to 2002, there was a decline of 2.2%, dropping from $39,774 to $38,907. In 2002, Manhattan was the leader of the City with the highest per capita personal income at $84,591. Staten Island followed with $34,980; Queens-$28,877; Brooklyn-$25,138; and the Bronx with $20,950. Over a five year period (1998 to 2002) all five boroughs' per capita personal income increased, with the Bronx having the largest growth increase of 6.7%. The year-to-year change witnessed two boroughs – Manhattan and Staten Island – experiencing a reduction of 4.4% and 2.1% decrease in per capita income.



Source: 2003 Annual Report on Social Indicators

The following table illustrates per capita income figures for New York City and the various boroughs. We note that the figures differ somewhat from the previous page due to the fact that they are not adjusted for inflation.

Per Capita Income Not Adjusted for Inflation	2000 Census	2006 Estimate	% Chg 2000-2006	2011 Projection	%Chg 2006-2011
Universe Totals					
Bronx	$13,959	$15,816	13.30%	$17,284	9.28%
Brooklyn	$16,775	$18,928	12.83%	$20,597	8.82%
Manhattan	$42,922	$45,663	6.39%	$49,135	7.60%
Queens	$19,222	$21,548	12.10%	$23,279	8.03%
Staten Island	$23,905	$27,586	15.40%	$30,207	9.50%
New York City	$22,402	$24,796	10.69%	$26,900	8.49%
United States	$21,587	$25,129	16.41%	$27,845	10.81%

As evident, Manhattan exhibits the highest per capita income among the New York City boroughs, and is nearly twice the level of the United States overall, with Staten Island representing the second highest per capita income level in New York City. The above trends indicate that per capita income growth is projected to remain consistent over the next 5 years, with average annual growth rates on approximately 2% expected in New York City.

Manhattan accounts for nearly 20% of New York State's total income. From 1992 to 2002, Manhattan's average annual total personal income growth rate of 6.1% far exceeded the national average annual growth rate of 4.7% as well as the top 100 annual growth rate of 5.4%. The borough is home to 9 of the wealthiest big city neighborhoods in the nation, testifying to the affluence of Manhattan. Nearly all of Manhattan's zip codes below 96th Street have median household incomes above the national median. The most affluent concentrations of households border Central Park on Manhattan's West Side between 77th and 91st Streets and on the East Side along Fifth, Park, and Madison Avenues between 60th and 96th Streets. Other affluent pockets include the southern tip of Manhattan at Battery Park City and the communities surrounding Lower Manhattan's Financial District such as TriBeCa. In contrast, the area north

of Central Park, as well as portions of the Lower East Side, is where residents with the lowest median household incomes reside.

Culture and Recreation

New York City offers an unsurpassed variety of cultural activities. New York is a world renowned center of culture, entertainment, and shopping. New York contains hundreds of museums, art galleries, theaters, restaurants, and retail stores.

The City is home to such musical institutions as the New York City Symphony, Carnegie Hall, Lincoln Center, Brooklyn Academy of Music, and Metropolitan Opera and, with its many Broadway and off-Broadway plays and musicals, is the performing arts capital of the world. Several world famous dance troupes are located in New York including the Alvin Ailey Company and Dance Theater of Harlem.

World class museums include the Metropolitan Museum of Art, Museum of Modern Art, The Guggenheim, and Museum of Natural History. Other attractions include the Statue of Liberty, New York Aquarium, Bronx Zoo, Brooklyn Botanical Gardens, Empire State Building, United Nations, New York Stock Exchange, and many others, which draw millions of visitors each year.

New York City has significant parkland including Central Park, an 843-acre oasis in Manhattan; Prospect Park in Brooklyn; and Jamaica Bay National Wildlife Refuge in Queens. New York City has teams in every major professional sport.

Educational and Professional Facilities

New York City has 173 schools of higher education including 21 two-year colleges, 45 four-year colleges, professional schools, law schools, and vocational schools. Manhattan is home to some of the most prominent educational institutions in the nation including Columbia University, New York University, The Juilliard School, and Manhattan School of Music. The CUNY (City University of New York) system offers an affordable education in its 6 community colleges and 11 campuses with 4-year and graduate programs across all 5 boroughs. Notable colleges and universities located outside Manhattan include Pratt Institute in Brooklyn—a well recognized school of art and architecture; St. John's University and Queens College in Queens; and Fordham University in the Bronx. New York City also has two of the most highly regarded public high schools in the nation—Stuyvesant and Bronx Science. As in most urban areas, the City's public primary and secondary education system is considered only fair overall with a wide range in quality of education from district to district.

New York City has 75 short-term general hospitals, many of which are affiliated with local professional universities. World famous research hospitals include NYU-Cornell, Rockefeller, Columbia, and New York Hospital. Other highly ranked hospitals include Memorial Sloan-Kettering Cancer Center, Mount Sinai Hospital, New York Eye and Ear Infirmary, and New York Presbyterian Hospital.

Transportation

New York City is served by the most diverse transportation system in the United States. The region's transportation network links the area to the regional, national, and global commerce and trade. A brief synopsis of the area's transportation system follows:

RAIL SYSTEM

- ***NYC Subway System***: a 710-mile subway line servicing 4.5 million passengers on an average weekday and approximately 1.4 billion passengers a year. NYC Transit operates approximately 6,400 cars 24 hours a day throughout Manhattan, Queens, Brooklyn, and the Bronx. The 25 subway routes are interconnected, and many lines feature express trains, across-the-platform transfers to local trains, and "skip-stop" express service.
- ***Metro North***: Based in the landmark Grand Central Terminal in Midtown Manhattan, the MTA Metro North Railroad is the second largest commuter line in the United States, providing approximately 250,000 customer trips each weekday and some 73,000,000 trips per year. With 384 route miles and 775 miles of track, Metro North goes to 120 stations distributed in seven counties in New York State--Dutchess, Putnam, Westchester, Bronx, New York (Manhattan), Rockland, and Orange--and two counties in the state of Connecticut--New Haven and Fairfield.
- ***Long Island Railroad***: This commuter line runs from the eastern tip of Long Island to Pennsylvania Station in Manhattan and to Atlantic Terminal in Brooklyn. The MTA Long Island Rail Road is the busiest commuter railroad in North America, carrying an average of 274,000 customers each weekday on 730 daily trains. In 1998, the LIRR completed a 10-year, $2.1 billion investment in improvements including the transformation of Penn Station into a modern, safe and attractive facility with a new 34th Street entrance.
- ***(PATH) Port Authority Trans-Hudson Subway System***: The PATH carries 70% of all passengers entering New York City from New Jersey. Approximately 220,000 commuters use the PATH each weekday.

BUS SYSTEM

- ***New York City Transit***: Regularly scheduled bus service in New York City's five boroughs handles 2.5 million riders daily and 762 million annually. 181 local and 38 express bus routes operate in the five boroughs, covering 2,109 miles.
- ***Port Authority Bus Terminal***: Regional bus lines serve approximately 55 million passengers a year, with most service to and from New Jersey.

AIRPORTS

- ***Newark Airport***: The Port Authority of New York and New Jersey has operated Newark Liberty International Airport (EWR) under a lease with the City of Newark since March 22, 1948. EWR is located in Essex and Union Counties between the New Jersey Turnpike (accessible from Exits 13A and 14), U.S. Routes 1 & 9, and I-78. The airport is about 16 miles from Midtown Manhattan. EWR consists of about 2,027 acres.

- ***LaGuardia Airport***: LaGuardia Airport (LGA) has been operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. LGA consists of 680 acres and 72 aircraft gates. By the end of 2000, the combined Port Authority and airline investment for LaGuardia's Redevelopment Program was $830 million. The redevelopment program includes expanding and modernizing the Central Terminal Building, reconfiguring and widening roadways, improving runways and taxiways, a passenger terminal in the east end, airline modernization of gate areas and passenger service areas, and other rehabilitation projects.

- ***John F. Kennedy Airport***: John F. Kennedy International Airport (JFK) is operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. JFK is located in the southeastern section of Queens County, New York City, on Jamaica Bay. It is 15 miles by highway from midtown Manhattan. JFK consists of 4,930 acres, including 880 acres in the Central Terminal Area (CTA). The airport has more than 30 miles of roadway.

Summary

The New York City metropolitan statistical area has a job base of almost 4.2 million jobs, which is the largest in the nation. From 1995 to 2001, the New York City area added 344,000 jobs, ranking it third in the nation behind Washington, D.C. and Dallas in terms of jobs added. Economic growth slowed between 2001 and 2003 but has steadily expanded between 2003 and 2006. The New York City metropolitan area has several key competitive advantages, including access to talent, customers, partners, and investors, which will drive long-term employment growth. Knowledge-based industries, such as finance, legal services, and consulting, benefit from the area's key strengths. Growth in these industries, in turn, will fuel expansion in other sectors of the economy.

BROOKLYN RESIDENTIAL MARKET OVERVIEW

The New York City residential market is the largest housing market in the United States. It is composed of a complex and diverse group of properties including single-family townhouses, low-rise walkup apartment buildings, luxury hi-rise towers, and converted office buildings. Unlike other places in the country, the New York market is dominated by rental units and is characterized by an aged housing stock. Rental units comprised 67% of New York City's housing stock in 2005, twice as many rental units as the nation as a whole.

Over 50% of the City's rental housing is governed by complex city and state rent regulations. Tax abatement and incentive programs continue to play a large role in shaping New York City's residential housing development, as do zoning laws and designations of historic preservation districts.

Consistent with the trend throughout New York City, more households in Brooklyn rented rather than owned their residences in 2006 according to Claritas. In Brooklyn, 73.0% of households lived in rental units, which exceeded the citywide total of 66.6%. Fewer Brooklyn residents lived in rental housing compared with Manhattan (76.4%). However, the percentage of Brooklyn renters exceeded the combined percentage of the remaining boroughs because of more ownership in Queens and on Staten Island.

Overview

According to the 2005 Housing and Vacancy Survey, New York City's housing stock grew by 1.6% (52,000 units) from 3,209,000 in 2002 to 3,261,000 in 2005. This is an annual increase of 17,000 units during the three years, which is the largest increase between two survey years since 1991. The table below illustrates the housing inventory of New York City in 2002 and 2005.

NEW YORK CITY HOUSING INVENTORY

	2002	2005	% Change
Total Housing Units	3,208,587	3,260,856	1.6%
Total Rental Units	2,084,769	2,092,363	0.4%
Occupied	2,023,504	2,027,626	0.2%
Vacant available for rent	61,265	64,737	5.7%
Total Owner Units	997,003	1,031,780	3.5%
Occupied	981,814	1,010,370	2.9%
Vacant available for sale	15,189	21,410	41.0%
Vacant not available for rent/sale	126,816	136,712	7.8%

Source: 2005 Housing and Vacancy Survey

The number of occupied rental units increased by 0.2% (4,000 units) from 2,024,000 in 2002 to 2,028,000 in 2005. The number of owner occupied units increased by 2.9% (29,000 units) from 982,000 in 2002 to 1,010,000 in 2005. The number of vacant units, both rental and for sale, increased from 2002 to 2005. Vacant units available for rent increased by 5.7% (4,000 units)

from 61,000 to 65,000 and vacant units available for sale increased by 41% (6,000 units) from 15,000 to 21,000. The large increase in units for sale is a result of the increase in conversions and new condominium construction within the past three years.

Total housing units by borough was not available from the 2005 Housing and Vacancy Survey. Therefore, we present data from the 2002 survey below. The following chart indicates the most recent available data on the total housing inventory in the five boroughs of New York City

HOUSING INVENTORY BY BOROUGH (2002)

	Bronx	Brooklyn	Manhattan	Queens	Staten Island	Total
Total Housing Units 1999	449,271	868,708	782,052	786,072	152,694	3,038,796
Total Housing Units 2002	491,006	930,085	798,704	820,704	167,932	3,208,587
Change (#)	41,735	61,377	16,652	34,632	15,238	169,791
Change (%)	9.30%	8.90%	2.10%	4.40%	10.00%	5.60%

Source: 2002 Housing and Vacancy Survey

The rate of home ownership in New York City increased from 32.7% to 33.3% from 2002 to 2005. This rate is an all-time high for the 40-year period since the first HVS in 1965. Within Manhattan, home ownership increased by 4.4% to 23.6% as indicated in the following table.

HOME OWNERSHIP RATES BY BOROUGH

	Bronx	Brooklyn	Manhattan	Queens	Staten Island	Total
Home Ownership Rate 1990	17.90%	26.10%	17.90%	42.50%	63.70%	28.70%
Home Ownership Rate 2000	19.50%	27.10%	20.10%	42.80%	63.80%	30.20%
Home Ownership Rate 2002	22.50%	28.70%	22.60%	46.00%	64.60%	32.70%
Home Ownership Rate 2005	22.10%	29.20%	23.60%	46.40%	67.70%	33.30%
Change (%)	-0.30%	1.80%	4.40%	0.90%	4.80%	1.80%

Source: 2005 Housing and Vacancy Survey

With the vast majority of its housing stock renter occupied, housing in Manhattan is dominated by the size of its rental housing stock. According to the 2005 Housing and Vacancy Survey, only about 33.3% of rental housing units within the five boroughs was unregulated, or "free market." The remainder is comprised of rent controlled (2.1%), rent stabilized (49.9%), and various other types of regulated apartment units (14.7%). The following chart is a breakdown of the rental housing inventory by rent regulation status.

RENTAL HOUSING INVENTORY

	2002	2005	% Change	% of Total
Total Rental Units	2,084,769	2,092,363	0.4%	
Rent Controlled	59,324	43,317	-27.0%	2.1%
Rent Stabilized	1,042,397	1,043,677	0.0%	49.9%
Private non-regulated	672,368	697,363	3.7%	33.3%

	2002	2005	% Change	% of Total
All other renter units	310,680	308,007	0.0%	14.7%

Source: 2005 Housing and Vacancy Survey

The Citywide vacancy rate in 2005 is 3.09%, which is up from 2.94% in 2002. The 2005 vacancy rate is below 5%, indicating a housing emergency. Between 2002 and 2005, the vacancy rate in Queens increased significantly from 1.78% to 2.82%. The rate in Brooklyn remained virtually unchanged (2.73% in 2002 and 2.78% in 2005). The vacancy rate in the Bronx declined from 3.29% in 2002 to 2.63% in 2005, which is the lowest of the five boroughs. The rate in Manhattan was the highest, at 3.79% in 2005 as compared to 3.86% in 2002. The table below depicts the most recent available rental vacancy rates within the five boroughs of New York City.

RENTAL VACANCY RATES

Area	1996	1999	2002	2005
Bronx	5.43%	5.04%	3.29%	2.63%
Brooklyn	4.20%	3.26%	2.73%	2.78%
Manhattan	3.47%	2.57%	3.86%	3.79%
Queens	3.28%	2.11%	1.78%	2.82%
Staten Island	4.16%	5.82%	2.43%	NA
NYC Overall	4.01%	3.19%	2.94%	3.09%

Source: 2005 Housing and Vacancy Survey

Vacancy rates also vary by rent regulation status. Rent stabilized units exhibit a vacancy rate of 2.68%. Private, non-regulated units were vacant at a 4.11% rate.

NET VACANCY RATES

	2002	2005
All Rental Units	2.94%	3.09%
Rent Stabilized	2.49%	2.68%
All Other Renter Units	2.57%	2.62%
Private Non-Regulated Units	4.07%	4.11%

Source: 2005 Housing and Vacancy Survey

Furthermore, vacancy rates also vary by monthly rent level. In general, vacancy rates for low-rent units were extremely low while rents for high-rent units were higher. The vacancy rate in 2005 for units with monthly rents less than $500 was 1.38%. The vacancy rates by monthly rent status are illustrated in the table below.

NET VACANCY RATES BY MONTHLY RENT LEVEL IN 2005 DOLLARS

	2002	2005
TOTAL	2.94%	3.09%
<$500	1.49%	1.38%

	2002	2005
$500-$699	1.47%	2.30%
$700-$799	2.27%	2.02%
$800-$899	3.02%	3.21%
$900-$999	3.89%	3.95%
$1,000-$1,249	3.39%	3.48%
$1,250-$1,749	4.10%	4.02%
$1,750-$2,499	7.49%	5.06%
$2,500+	10.27%	9.14%

Source: 2005 Housing and Vacancy Survey

Housing Supply

Housing supply grows in a variety of ways: new construction, substantial rehabilitation of deteriorated buildings, and conversions from non-residential buildings into residential use. The number of permits authorized for new construction is a measure of how many new dwelling units will be completed and ready for occupancy, typically within three years, depending on the type of housing structure.

PERMITS ISSUED FOR HOUSING UNITS, 1985 TO 2005

Area	1985	1990	1995	2000	2001	2002	2003	2004	2005
Bronx	1,263	1,182	853	1,646	2,216	2,626	2,935	4,924	4,937
Brooklyn	1,068	1,634	943	2,904	2,973	5,247	6,054	6,825	9,028
Manhattan	12,079	2,398	1,129	5,110	6,109	5,407	5,232	4,555	8,493
Queens	2,211	704	738	2,723	3,264	3,464	4,399	6,853	7,269
Staten Island	3,711	940	1,472	2,667	2,294	1,756	2,598	2,051	1,872
NYC Total	20,332	6,858	5,135	15,050	16,856	18,500	21,218	25,208	31,599

Source: NYC Rent Guidelines Board 2006 Housing Supply Report

The number of permits issued for new, privately owned residential units in New York City has steadily increased since 1990, with new permits greatly increasing between 1998 and the present. Between 2004 and 2005 there was a 25.4% increase in the number of permits issued for new dwelling units in New York City, rising to 31,599. This follows 2004's increase of 18.8% over 2003 permits. While the number of permits issued is still below the 1960's average of 37,000 new units per year, more permits were issued for residential units in 2005 than in any year since 1972. Proportionally, Manhattan's permits increased the most, up 86.5%; Brooklyn increased by 32.3%; Queens increased by 6.1%; Staten Island's dropped by 8.7%, and the Bronx stayed flat with a 0.3% increase.

The number of permits issued in 2006 has increased at an even greater place thus far. The number of permits issued in New York City increased from 6,053 in the first quarter of 2005 to 7,697 during the same period of 2006, a 27.2% increase. The number of permits in the Bronx, Manhattan, Queens, and Staten Island all significantly increased, up by 38.4%, 38.1%, 51.4%

and 31.0% respectively, while Brooklyn permits increased by 2.3% over the same period.

NEW DWELLING UNITS COMPLETED IN NEW YORK CITY, 1960-2004

Area	1960	1970	1980	1990	1995	2000	2001	2002	2003	2004	2005
Bronx	4,970	1,652	1,709	872	1,166	1,385	1,617	1,220	1,473	3,150	3,234
Brooklyn	9,860	1,695	708	929	1,647	1,353	2,404	2,248	2,575	4,554	5,366
Manhattan	5,018	3,155	3,306	7,260	2,798	6,064	6,036	8,326	3,798	6,111	4,825
Queens	14,108	4,230	783	2,327	1,013	2,096	1,225	1,981	2,344	2,976	5,027
Staten Island	1,292	3,602	2,380	1,384	1,268	1,896	2,198	2,453	2,589	2,346	1,930
NYC Total	35,428	14,334	8,886	12,772	7,892	12,794	13,480	16,228	12,779	19,137	20,382

Source: NYC Rent Guidelines Board 2006 Housing Supply Report

In 2005, 20,382 new housing units were completed, an increase of 6.5% over the prior year. The number of new units is the most since 1976, and occurred in all five boroughs. Queens' new unit completions increased by a staggering 68.9% in 2005. With 5,027 new units added, Queens saw its greatest building boom since 1967. These recent increases in Queen's supply follow a long period of decreasing housing supply through the 1990's. Brooklyn saw a 17.8% increase in completed buildings; the Bronx increased by 2.7%; Manhattan decreased by 21.0%; and Staten Island saw a decrease of 17.7%.

New housing units are also being brought onto the market through conversions. With a tight housing market and high demand for luxury apartments, there have been an increasing number of conversions in neighborhoods citywide, including buildings that have not been considered for residential units. An estimated 20 buildings in the financial district (with nearly six million square feet of space) are currently undergoing conversion, in addition to seven million square feet completed since 1996.

Affordable Housing Supply

In New York City, private industry, unaided by government, is unable to satisfy the housing needs of low- and moderate-income families. Researchers generally consider that rent is affordable to a household if it is spending no more than a third of its income on rent. In 2005, 28.8% of New York City renters spent half of their income on rent.

Until the mid-1980's most assistance for housing came from the Federal Government. From 1987 to 2000, the City of New York made up for a cessation of federal aid by providing approximately $5 billion of its own funds for housing assistance as part of its 10-year housing plan. Overall, the 10-year housing plan set out to renovate apartments in abandoned buildings in all five boroughs. The program also called for newly built, single-family homes throughout the boroughs with most houses to be built by non-profit groups and sold to families in the Housing Partnership and Nehemiah housing programs. In both programs, City-owned lots were used, interest-free financing was provided, and real estate taxes were forgiven for 10 years, enabling homes to be built at low cost and sold at prices within the reach of families whose incomes, in most cases, were under $50,000 a year.

Between 1987 and 2000, the City provided capital funds for 184,000 housing units. The majority of these (110,000) were existing occupied apartments that received aid for some rehabilitation, netting only 74,000 additional units produced through city programs, either by new construction or rehabilitation of vacant apartments. This initiative substantially improved the existing housing stock but did not significantly increase the net supply available to lower income New Yorkers.

The City's investment in affordable housing peaked in 1992 and fell off significantly with budget cuts made early in the first Giuliani administration from a high of approximately $700 million a year to an average of $332 million a year during the late 1990's.

Many groups, and most recently a 2006 report from the City Comptroller, have characterized the current climate as one of a crisis in available affordable housing. The supply in new housing over the past decade has failed to keep pace with population growth.

Vacancy rates are especially low for units with low rents. In 2002, the vacancy rate for units renting for less than $400 was 1.26%. The stock of vacant apartments renting for less than $500 per month continued to shrink, totaling a mere 6,243 in 2002, down from more than 9,000 in 1999. Even units renting for $1,000 to $1,749 had vacancy rates below the benchmark 5%.

The increase in median rent throughout New York City has far outpaced the increase in median income. An NYU report released in 2006 revealed that between 2002 and 2005 the median rent for unsubsidized apartments jumped to $900 from $750 while the median household income shrank to $40,000 from $42,700. Real income in New York fell by 6.3% from 2001 to 2004, whereas it increased by 9.8% from 1998 to 2001.

Low-income households are those most affected by high rent burdens. Barely 1% of renters earning $50,000 a year or more spend a majority of income on rent while 54% of those earning under $25,000 do so. Adjusted for inflation, median renter income increased 3% from 1975 to 1999, while median rent increased 33%. Between 2002 and 2005, the average amount of money spent on rent rose to 28.5% from 24.2%. The number of units with gross monthly rent of $500 to $799 fell by 16.2% period and the number of units with rents from $800 to $999 fell by 6.2%. However, the number of units with monthly rents between $1,000 and $1,499 went up by 17% and those costing $1,500 or more rose by 20.6%, a NYU study found.

In December 2002, Mayor Bloomberg announced a $3 billion "New Housing Marketplace" plan to create and preserve more than 65,000 housing units between Fiscal Year 2004 and Fiscal Year 2008, as well as a number of initiatives to encourage private investment in housing. Mayor Bloomberg announced the expansion of this program in February 2006 to a ten-year commitment to build and preserve 165,000 units of affordable housing. This plan will provide affordable homes for 500,000 New Yorkers and will cost $7.5 billion. As of April 2006, HPD and HDC had started 37,715 units of housing under this program. Estimates are that 68% of the new and preserved units will be affordable to low-income households; 32% will be aimed at moderate- and middle-income households.

Bloomberg has also recently started a $40 million fund that is expected to help finance 30,000 homes for low and moderate-income people in the city. City officials expect more money will be raised from commitments by foundations. The program is known as the New York City Affordable Housing Acquisition Fund and will give developers short-term loans until more permanent financing is obtained.

There were 18,252 total affordable housing starts in 2005, an increase of 78.9% over the previous year. Of these starts, 11,288 were rehabilitation starts by either HPD or HDC; 5,284 were new construction starts by HPD; and 1,680 were new construction starts by HDC. An additional 15,099 units of new construction are expected to start in 2006 and 14,048 in 2007. During the first four months of 2006 there were 9,514 starts by HPD and HDC, a 196.8% increase over the same period in the previous year. The majority of this increase was in new construction, which rose by more than 4,100 units over the time period.

The City experienced a net loss of rent stabilized units in 2005. In 2005, approximately 14,045 housing units left rent stabilization, while 6,667 units initially entered the stabilization system, resulting in a net loss of an estimated 7,378 regulated stabilized units in the rent stabilized housing stock. This loss is an increase of almost 57% over the prior year. The majority of rent stabilized unit losses (9.272 units in 2005) are due to high rent vacancy decontrol, whereby units renting for greater than $2,000 per month become deregulated upon vacancy. Other units left the system due to cooperative/condominium conversion (1,692 units); expiration of tax benefit programs (996 units); and other miscellaneous reasons.

The New York State Mitchell-Lama program is another program that has offered affordable housing. This program was created in 1955 as a means of providing affordable rental and cooperative housing to middle- and moderate income families by providing low-cost mortgages and tax breaks to landlords who developed low- and middle-income housing. There are about 103,000 Mitchell-Lama units in the City today, and the last project opened in 1978.

However, the City is losing these residential units as market rents rise and landlords choose to opt out of the program. More than 33,000 units have been lost due to buyouts since 1985. The pace has accelerated recently with 14,477 units bought out between January 2003 and April 2006. In the first four months of 2006 alone, nearly 3,000 units have lost their Mitchell-Lama status and the City's Comptroller's Office recently reported that another 11,363 units are pending buyout. The City Council unanimously passed a bill in February of 2005 that would extend property tax benefits for up to an additional 50 years for any developers who wish to stay in the program. The HDC also announced a program in 2004, providing for refinancing and loans for capital improvements to these buildings.

Between 2001 and 2003, about 4,700 housing units left either the Mitchell-Lama or the Lmiited Dividend programs. From 2004 to now, that number, including the number of units planning to leave, spiked to 25,000. If all pending withdrawals happen, according to the comptroller's report, New York will have lost more than 49,000 affordable housing units – nearly one third of the 150,000 projected to be created under these programs. The City's ongoing efforts to create affordable housing may not be able to compensate for these losses. The City funded the creation

of 12,229 affordable housing units since 2002, but New York also lost 12,943 units of Mitchell-Lama housing alone during the same period.

Market Rental Rates and Property Values

The strength of the Manhattan residential market, combined with the booming overall economy in recent years and the housing shortage, have had a strong impact on the Brooklyn residential market. Beginning in 1995, home prices in the neighborhood of Brooklyn Heights, the Brooklyn neighborhood closest to Manhattan, began to rise in response to Manhattan prices and the scarcity of new residential construction. By 1997, prices in neighborhoods further into Brooklyn also began to rise, and prices have continued a historic rise into 2006 in virtually every neighborhood in the borough.

Brooklyn's oldest neighborhoods, collectively known as "Brownstone Brooklyn," are some of its most desirable including Brooklyn Heights, Cobble Hill, Carroll Gardens, Park Slope, Prospect Heights, Fort Greene, and Clinton Hill. Brownstone Brooklyn was developed in the mid- to late 19th century with brick and brownstone row houses that have risen dramatically in value since the 1960's and 1970's. These neighborhoods tend to be concentrated in the portions of the borough closest to Manhattan. However, neighborhoods further into central Brooklyn, such as Bedford Stuyvesant, also contain a significant brownstone housing stock that supports a stable middle class population. These homes have also increased dramatically in value in recent years as purchasers seek out these homes and as prices have risen in neighborhoods closer in.

Immigration, lower crime rates and high home prices in the suburbs and the more traditionally desirable neighborhoods have led to record home value increases in all neighborhoods of Brooklyn, including those with the greatest poverty levels. According to Corcoran's 2006 mid-year report, cooperative apartments in Brooklyn averaged $498,000, up from $478,000 in mid-year 2005. Condominiums averaged $683,000, up from $565,000 over 2005. Single-family townhouses declined slightly with an average value of $1.469 million, a 1% decrease over the 2005 value of $1.49 million. As of the end of the second quarter of 2006, multi-family townhouses increased 6% to $1.386 million from $1.3909 million as of 2005.

In Brooklyn Heights, historically the most expensive neighborhood in Brooklyn, the average price for single-family townhouses is $3.061 million as of the middle of 2006. Average sales price in Carroll Gardens and Cobble Hill was $2.2 million in 2006, and the average price in Park Slope was $2 million. Fort Greene and Clinton Hill also had an average single-family townhouse sale price of over one million dollars.

In 2005, rising home values have made new residential development feasible in neighborhoods where previously development was only possible with significant government aid. With newly constructed two-family home values rising to over $400,000 in neighborhoods such as East New York and Brownsville, developers recently begun to perform market-oriented construction. There is also still significant subsidized development in Eastern Brooklyn, primarily in the form of new two-family home development subsidized through below-market land acquisition.

The rental market in Brooklyn's prime neighborhoods has also increased substantially in recent

years as rent levels in Manhattan have exceeded $45 per square foot on average for unregulated units. In 2006 the rental market in Brooklyn has remained tight with modest increases and a decrease in concessions.
According to Corcoran's 2006 mid-year report, average rent in Brooklyn is $2,138 per month. In most areas of Brownstone Brooklyn, studios rent for $1,300 to $1,700 per month; one-bedrooms average between $1,800 and $2,200; two-bedrooms average between $2,000 and $2,600; and three-bedroom and larger units averaging between $3,000 to over $4,000 per month. Most areas of Brownstone Brooklyn show rental rates ranging from $30 to $45 per square foot for typical sized apartments.

Rent levels in Brooklyn's lower-income neighborhoods have modestly increased in recent years, with market-oriented rent levels between $15 and $25 per square foot.

As rent and sale levels have increased in higher-income parts of Brooklyn, new luxury rental and condominium construction and conversion have accelerated throughout Brooklyn and extended into formerly "fringe" areas such as DUMBO, Bedford Stuyvesant, East Williamsburg, Red Hook, and as far as Brighton Beach. In Brooklyn's most affluent neighborhoods, new condominium developments have seen average sale prices exceeding $750 per square foot on average.

Below we have included the average Brooklyn sale price of apartments and town homes according to REBNY's 2006 mid-year report. Please note that apartments include condos and co-ops.

APARTMENTS

Average Sale Price

(Thousands)

	Mid-Year 2005	Mid-Year 2006	1Q05	1Q06	2Q05	2Q06
All Brooklyn	**$472**	**$491**	**$471**	**$504**	**$472**	**$477**
All Selected Neighborhoods	**$501**	**$526**	**$505**	**$540**	**$495**	**$512**
Selected Neighborhoods						
Bedford Stuyvesant	$303	$286	$328	$356	$277	$220
Boerum Hill	$545	$611	$568	$502	$539	$526
Brooklyn Heights	$590	$603	$656	$583	$535	$525
Carroll Gardens	$516	$592	$486	$566	$614	$518
Clinton Hill	$335	$420	$334	$427	$336	$416
Cobble Hill	$784	$628	$786	$715	$774	$583
Columbia St	$483	$501	$555	$393	$419	$544
Downtown Brooklyn	$263	$307	$328	$302	$268	$309
Dumbo/Fulton Ferry	$1,216	$1,340	$1,188	$1,635	$1,278	$1,045
Ft Greene	$445	$438	$468	$515	$399	$422
Greenpoint	$402	$420	$392	$420	$470	n/a
Lefferts	$262	$435	$157	$435	$297	n/a
Park Slope	$555	$621	$570	$583	$598	$729
Prospect Heights	$566	$501	$638	$510	$509	$493
Sunset Park	$355	$309	$356	$422	$352	$226
Vinegar Hill	$635	$622	$614	$640	$1,013	$204
Williamsburg	$342	$396	$342	$383	$341	$409
Windsor Terrace	$404	$460	$408	$528	$397	$357

N/A=no sales activity

APARTMENTS

Average Price Per Square Foot

	Mid-Year 2005	Mid-Year 2006	1Q05	1Q06	2Q05	2Q06
All Brooklyn	**$442**	**$514**	**$429**	**$518**	**$463**	**$510**
All Selected Neighborhoods	**$488**	**$550**	**$479**	**$554**	**$500**	**$547**
Selected Neighborhoods						
Bedford Stuyvesant	$254	$301	$346	$315	$205	$288
Boerum Hill	$552	$623	$527	$632	$592	$608
Brooklyn Heights	$598	$636	$588	$602	$607	$673
Carroll Gardens	$527	$658	$520	$679	$534	$637
Clinton Hill	$392	$489	$369	$492	$430	$487
Cobble Hill	$670	$658	$595	$655	$790	$660
Columbia St	$525	$581	$526	$591	$524	$591
Downtown Brooklyn	$425	$449	$396	$473	$483	$435
Dumbo/Fulton Ferry	$692	$780	$722	$787	$623	$773
Ft Greene	$427	$549	$433	$564	$419	$536
Greenpoint	n/a	$559	n/a	$559	n/a	n/a
Lefferts	$309	$371	$212	$371	$342	n/a
Park Slope	$547	$628	$538	$620	$556	$644
Prospect Heights	$593	$548	$608	$542	$567	$553
Sunset Park	$312	$408	$299	$428	$380	$377
Vinegar Hill	$509	$778	$493	$789	$609	$766
Williamsburg	$263	$308	$257	$275	$272	$341
Windsor Terrace	$501	$559	$491	$564	$518	$550

N/A=no sales activity

ONE- AND TWO- FAMILY DWELLINGS

Average Sale Price
(Thousands)

	Mid-Year 2005	Mid-Year 2006	1Q05	1Q06	2Q05	2Q06
All Brooklyn	**$507**	**$586**	**$493**	**$588**	**$527**	**$584**
All Selected Neighborhoods	**$624**	**$740**	**$599**	**$739**	**$659**	**$741**
Selected Neighborhoods						
Bedford Stuyvesant	$422	$533	$407	$518	$441	$550
Boerum Hill	$1,173	$1,303	$1,077	$1,335	$1,293	$1,271
Brooklyn Heights	$2,428	$3,100	$2,293	$3,673	$2,696	$1,955
Carroll Gardens	$965	$1,062	$981	$1,234	$905	$946
Clinton Hill	$581	$849	$724	$814	$615	$914
Cobble Hill	$1,784	$1,645	$1,456	$2,200	$2,275	$1,460
Columbia St	n/a	n/a	n/a	n/a	n/a	n/a
Ft Greene	$1,231	$1,600	$952	$1,700	$1,396	$1,500
Greenpoint	$534	$618	$533	$556	$536	$499
Lefferts	$528	$665	$627	$693	$625	$646
Park Slope	$1,359	$1,452	$1,163	$1,636	$1,628	$1,268
Prospect Heights	$1,131	$1,336	$943	n/a	$1,320	$1,338
Red Hook	$635	$440	$466	$230	$719	$600
Sunset Park	$558	$644	$558	$633	$559	$654
Vinegar Hill	n/a	n/a	n/a	n/a	n/a	n/a
Williamsburg	$512	$812	$524	$907	$495	$741
Windsor Terrace	$638	$764	$650	$692	$619	$854

N/A=no sales activity

ONE- AND TWO- FAMILY DWELLINGS

Average Price Per Square Foot

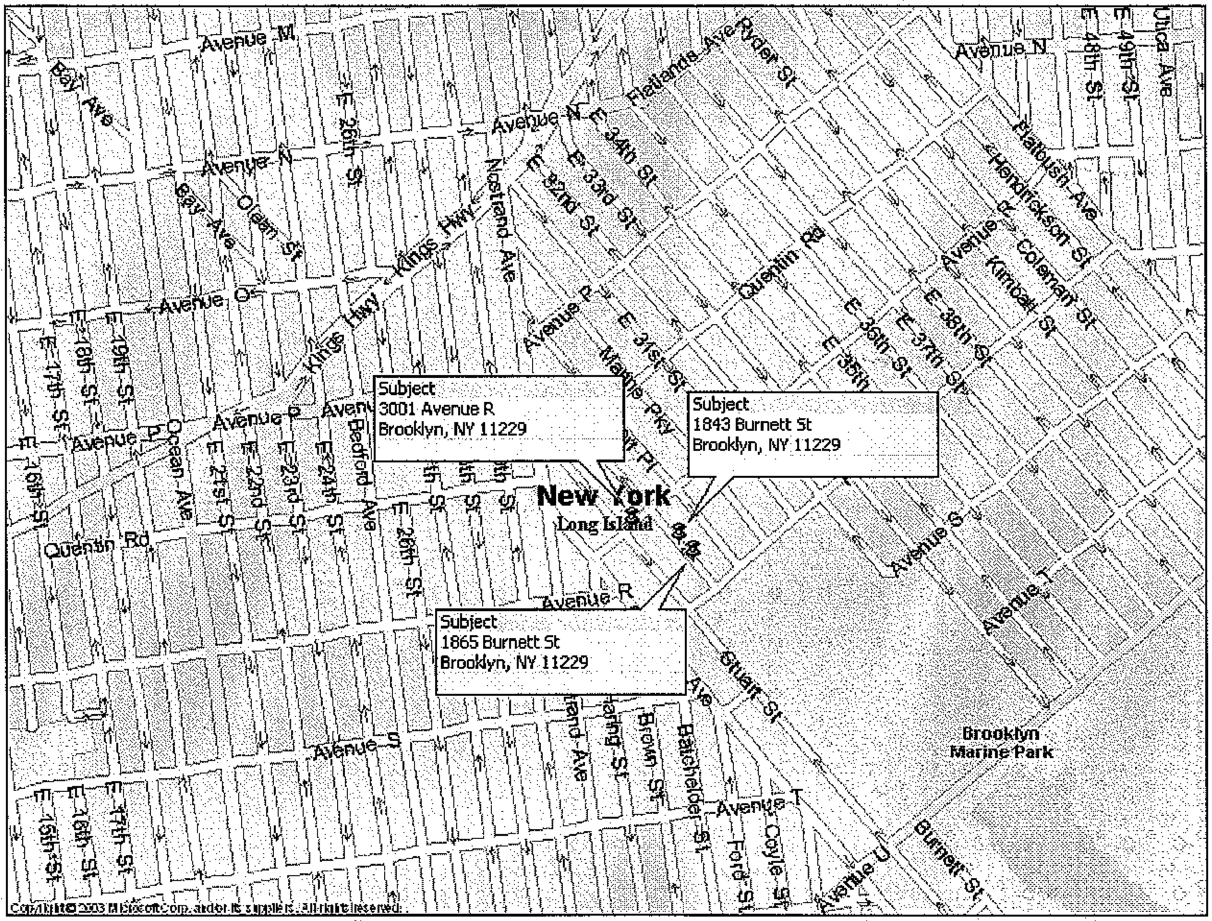
	Mid-Year 2005	Mid-Year 2006	1Q05	1Q06	2Q05	2Q06
All Brooklyn	$299	$363	$292	$361	$311	$366
All Selected Neighborhoods	$323	$426	$319	$417	$330	$436
Selected Neighborhoods						
Bedford Stuyvesant	$235	$318	$230	$313	$245	$323
Boerum Hill	$445	$738	$430	$722	$464	$753
Brooklyn Heights	$730	$891	$731	$1070	$726	$533
Carroll Gardens	$607	$617	$601	$841	$633	$587
Clinton Hill	$322	$449	$342	$446	$290	$455
Cobble Hill	$818	$1019	$788	$1040	$869	$1012
Columbia St	n/a	n/a	n/a	n/a	n/a	n/a
Ft Greene	$509	$560	$419	$631	$563	$438
Greenpoint	$339	$362	$339	$578	$339	$253
Lefferts	$261	$314	$274	$269	$301	$345
Park Slope	$612	$772	$567	$771	$675	$773
Prospect Heights	$423	$694	$293	n/a	$553	$694
Red Hook	$478	$400	$338	$200	$548	$800
Sunset Park	$303	$408	$304	$398	$302	$429
Vinegar Hill	n/a	n/a	n/a	n/a	n/a	n/a
Williamsburg	$316	$630	$334	$783	$289	$518
Windsor Terrace	$432	$623	$431	$815	$433	$632

N/A=no sales activity

Summary

Brooklyn's real estate market has been robust in recent years due to its proximity to Manhattan and overall economic conditions. Vacancy rates have remained low, and despite new additions to the supply, the market is still characterized by a lack of supply in relation to demand. In addition, the tight housing market in Manhattan has continued to have an affect on Brooklyn's residential rents and sales. Overall, the Brooklyn real estate market should remain relatively stable for the foreseeable future.

NEIGHBORHOOD MAP



NEIGHBORHOOD DESCRIPTION

The subject property is located in the Marine Park section of the Borough of Brooklyn, City and State of New York. Brooklyn is comprised of many neighborhoods, and Marine Park, in relation to other sections of the Borough, is generally bounded by Georgetown and Flatlands to the north, Sheepshead Bay to the west, Bergen Beach to the east and Jamaica Bay to the south.

Marine Park is geographically located in the southeastern portion of Brooklyn. Its street boundaries are generally Kings Highway to the north, Marine Park to the south, Flatbush Avenue to the east, and Gerritsen Avenue to the west.

The surrounding vicinity is built up with a mixture of one- and two-family homes, townhouses, row houses and mid-rise apartment buildings. Marine Park contains several active commercial thoroughfares, including Flatbush Avenue, Flatlands Avenue and Avenue U. Based on the areas densely populated residential use, retail use is the prime use along these commercial corridors. Excluding professional office buildings, there is little or no concentrated office space within Marine Park and the immediate surrounding areas. The majority of the office space in Brooklyn is situated north of the subject in Downtown Brooklyn.

The subject property is located within Brooklyn Community District 18, which includes Marine Park, Mill Basin, Canarsie, Bergen Beach and Mill Island. The housing stock for Community District 18, which stood at 69,036 units as of the 2000 census, increased by 8,105 units between 1990 and 2000. This amounted to a 13.3% increase over a 10 year period. The majority of the land is improved with one and two-family residential dwellings. There is also a significant amount of vacant land utilized for open space and recreation. The remainder of the land is evenly dispersed amongst commercial, mixed-use, institutions and industrial properties.

LAND USE, 2002

		Lot Area	
	Lots	Sq. Ft. (000)	%
1- 2 Family Residential	29,865	76,210.9	37.3
Multi-Family Residential	2,298	12,807.2	6.3
Mixed Resid. / Commercial	880	2,625.3	1.3
Commercial / Office	540	7,624.5	3.7
Industrial	161	6,217.5	3.1
Transportation / Utility	204	3,791.9	1.9
Institutions	182	7,841.3	3.8
Open Space / Recreation	89	75,967.4	37.2
Parking Facilities	166	1,669.9	0.8
Vacant Land	746	7,990.1	3.9
Miscellaneous	—	1,339.4	0.7
Total	35,230	204,085.5	100.0

Submarket Rental Vacancy Rates

According to the Furman Center for Real Estate and Urban Policy, the rental vacancy rate for Community District 18 is 2.1% as of their 2005 study, a slight increase over a rate of 1.6% in their 2002 study but still representing a low vacancy rate. The 2005 overall vacancy rate for Brooklyn was reportedly 2.78% in 2005 and 2.73% in 2002.

Population

Within the subject's 11229 zip code, the population increased 11.70% between 1990 and 2000. After this period of strong growth, the subject area's population decreased by 0.65% from 2000 to 2006 and is projected to decrease by an additional 0.85% from 2006 to 2011.

Description	Total ZIP	%
Population		
2011 Projection	79,015	
2006 Estimate	79,689	
2000 Census	80,214	
1990 Census	71,815	
Growth 2006-2011	-0.85%	
Growth 2000-2006	-0.65%	
Growth 1990-2000	11.70%	

Source: Claritas, Inc.

Claritas projects that within the subject's zip code, households will decrease by 2.21% by 2011 after a decrease of 2.39% between 2000 and 2006 after a moderate increase of 4.14% in the decade between 1990 and 2000.

Households	
2011 Projection	29,046
2006 Estimate	29,702
2000 Census	30,430
1990 Census	29,221
Growth 2006-2011	-2.21%
Growth 2000-2006	-2.39%
Growth 1990-2000	4.14%

Source: Claritas, Inc.

Income

In terms of income, the population of District 18 is average for Brooklyn communities (though within the District itself, income levels for different areas vary widely). In 2002, 13.9% of the population in District 18 received some form of Public Assistance compared to 13.1% in 1994. The poorest areas in Brooklyn have 40% or more of their residents receiving Public Assistance while the most affluent communities have less than 10% receiving income support.

INCOME SUPPORT	1994	2002
Public Assistance (AFDC, Home Relief)	11,889	4,981
Supplemental Security Income	4,694	5,973
Medicaid Only	4,730	16,148
Total Persons Assisted	**21,313**	**27,103**
Percent of Population	**13.1**	**13.9**

Within the subject's zip code, Claritas estimated that the average household income was $58,762 in 2006, compared to $63,301 for the nation. A total of 56% of residents living within the subject's zip code have household incomes of less than $50,000 per year. A total of 16.7% of households have incomes that exceed $100,000 per year.

Description	Total *ZIP*	%
2006 Est. Households by Household Income	29,702	
Income Less than $15,000	6,203	20.88
Income $15,000 - $24,999	3,561	11.99
Income $25,000 - $34,999	3,008	10.13
Income $35,000 - $49,999	3,860	13.00
Income $50,000 - $74,999	4,893	16.47
Income $75,000 - $99,999	3,230	10.87
Income $100,000 - $149,999	3,241	10.91
Income $150,000 - $249,999	1,370	4.61
Income $250,000 - $499,999	260	0.88
Income $500,000 and more	76	0.26
2006 Est. Average Household Income	$58,762	
2006 Est. Median Household Income	$43,079	
2006 Est. Per Capita Income	$22,002	

Marine Park is generally well served by all supporting facilities, including local retail shopping, public transportation, schools, hospitals and houses of worship. Buses provide service along the major roadways. Subway service is accessible via bus providing mass transportation and access to other areas of Brooklyn as well as Midtown and Lower Manhattan. There are numerous public, private and parochial schools in operation as well as several day care and senior citizen facilities. Several hospitals in the area provide medical care for residents, including Brookdale Hospital, Kings County Hospital Center, University Hospital of Brooklyn and Community Hospital of Brooklyn. There are several parks and playgrounds in the area, and police and fire

protection, as well as other City services, are considered adequate.

The Specific Subject Location

The subject is located at the northeast corner of Avenue R and Stuart Street, the entire western blockfront of Burnett Street between Avenue R and Fillmore Avenue with additional frontage on Stuart Avenue, and the entire blockfront on the north side of Fillmore Avenue between Burnett Street and Madison Place, in the Marine Park section of the Borough of Brooklyn, City and State of New York. Burnett Street is a one-way thoroughfare with traffic moving in a northwesterly direction. Stuart Street is also a one-way thoroughfare with traffic moving in a southeasterly direction. Both Avenue R and Fillmore Avenue are parallel thoroughfares with traffic moving in an east-west direction. Typical improvements along Burnett Street and the additional fronting streets at the subject include mainly one- and two-family residences.

Immediately to the southeast of the subject is the Brooklyn Marine Park. Marine Park, the largest open space in Brooklyn (over 700 acres), includes the Gerritsen Creek salt marsh trails and Nature Center and Marine Park Golf Course (18 holes). Park activities include tennis, bocce, football, baseball, basketball, handball, bicycling, cricket, soccer, volleyball, bird watching, rollerblading, kayaking, walking, and running.

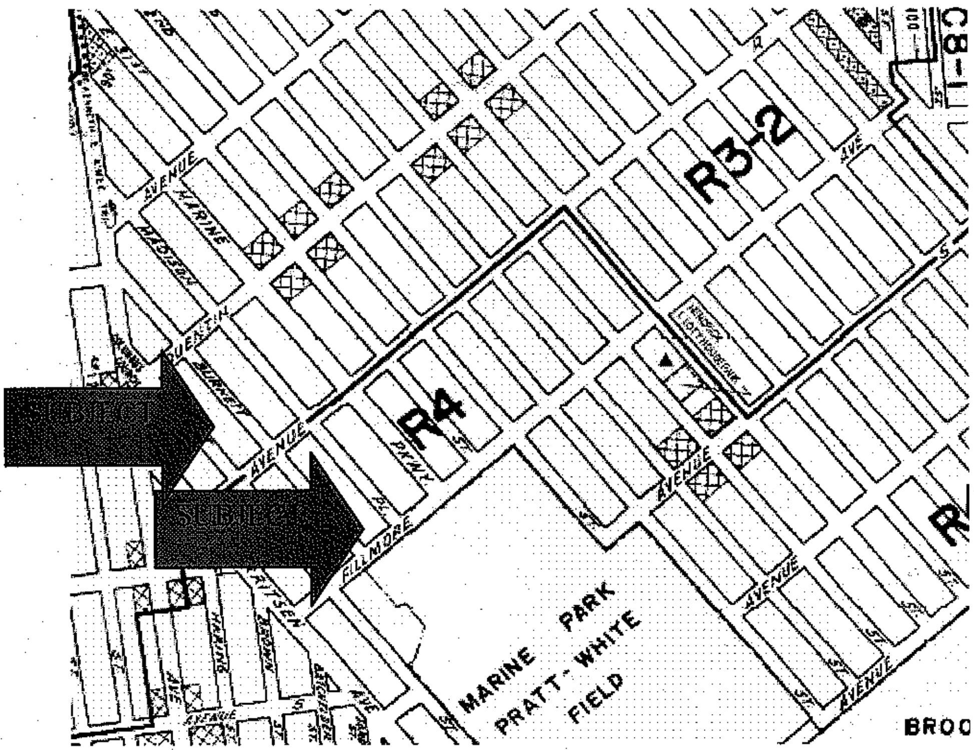
Kings Plaza Shopping Mall is located along the east side of Flatbush Avenue, and is considered the most popular shopping center within Brooklyn and west Queens, and is a short distance from the subject. In addition, shops and restaurants can be found along Quentin Road and Nostrand Avenue, walking distance from Marine Park Luxury Rentals. Two local markets -- Key Food on Gerritsen Avenue and Met Food on Quentin Road -- deliver groceries.

Proximity to area hospitals and other medical professionals has a positive affect on professional office rents in the subject's neighborhood. The closest major hospital to the subject is Brookdale Hospital, which is a teaching hospital containing approximately 448 beds plus an 87 unit assisted living facility. Brookdale Hospital is located on Rockaway Parkway and Linden Boulevard, approximately 2.5 miles north of the subject.

Access to public transportation is good with extensive bus service throughout the area. There are a multitude of bus services that serve greater Brooklyn including stops for the B100 (Fillmore Avenue), B2 (Avenue R), B31 (Gerritsen Avenue), and B44 (Nostrand Avenue). In addition, the BM44 (Command Bus Company), runs express to Manhattan which boards on Gerritsen Avenue at Fillmore Avenue and at Avenue R. While no subways are in the immediate area, the closest subways are at Kings Highway (East 16th Street and Kings Highway/Quentin Road) for the B or Q train and Flatbush Avenue (Flatbush and Nostrand Avenues), serving the 2 and 5 trains. Both subway stations are accessible by nearby bus service.

In conclusion, the subject neighborhood is a stable residential community with good access to public transportation and area medical facilities. The property has excellent visibility due to the proximity to multiple shopping centers that draw clientele from well outside the immediate neighborhood as well as nearby Brooklyn Marine Park. Overall, the subject's location is expected to remain a desirable residential location for the foreseeable future.

ZONING MAP



ZONING SUMMARY

The subject property is under the zoning jurisdiction of the City and State of New York. The sites are situated in an R3-2 and R4 Residential zoning district. R3-2 districts are the lowest density zones in which multiple dwellings are allowed. The R3-2 designation allows for a variety of housing types including garden apartments, row houses, and even apartment houses where surrounded by extensive open space. R3-2 districts require one parking space per dwelling unit. Because the R3-2 zone is flexible, it is mapped in both vacant and built-up areas. R3-2 is the predominant type of zoning found on Staten Island, and it is also mapped extensively through Queens, and in some areas of Brooklyn. R3-2 districts are appropriate for low density housing such as garden apartment buildings and one- and two-family houses. The following is a summary of the requirements for the R3-2 and R4 districts.

Requirement	R3-2	R4
Maximum Floor Area Ratio:	0.50	0.75
Minimum Lot Size:	Detached: 3,800± square feet, 40 feet lot width.	Detached: 3,800± square feet, 40 feet lot width.
	Other: 1,700± square feet, 18± feet lot width.	Other: 1,700± square feet, 18± feet lot width.
Minimum Required Lot Area/Room:	375	N/A
Minimum Number of Rooms/Acre:	116	158
Maximum Building Height:	25 feet	25 feet
Minimum Front Yard:	15 feet	18 feet
Minimum Rear Yard:	30 feet	30 feet
Side Yard:	Detached: 5 feet, or 13 feet combined.	Detached: 5 feet, or 13 feet combined.
	Other: 8 feet, or 10% of building length.	Other: 8 feet, or 10% of building length.
Parking Requirements:	One parking space per dwelling unit.	One parking space per dwelling unit.

Source - Zoning Handbook, New York City Planning Commission

Summary of Use Regulations

The following uses are permitted in R3-2 and R4 districts:

Category	Permitted Uses
Use Group 1	Single-family detached residences.
Use Group 2	Residences of all kinds including apartment hotels and non-profit residences for the elderly.

Category	Permitted Uses
Use Group 3	Community facilities which include colleges or universities, libraries, museums, non-commercial art galleries, trade schools, nursing homes, and health related facilities.
Use Group 4	Churches, medical offices.

Summary of Zoning

The subject improvements on Block 8472, Lot 1 (1865 Burnett Street) total 37,940 square feet of gross building area. This portion of the subject is zoned R4, with an allowable residential FAR of 0.75. Based on a site size of 56,000 square feet, the allowable buildable area of this portion of the subject totals 42,000 square feet. Therefore the subject appears to be a legal complying bulk and conforming use.

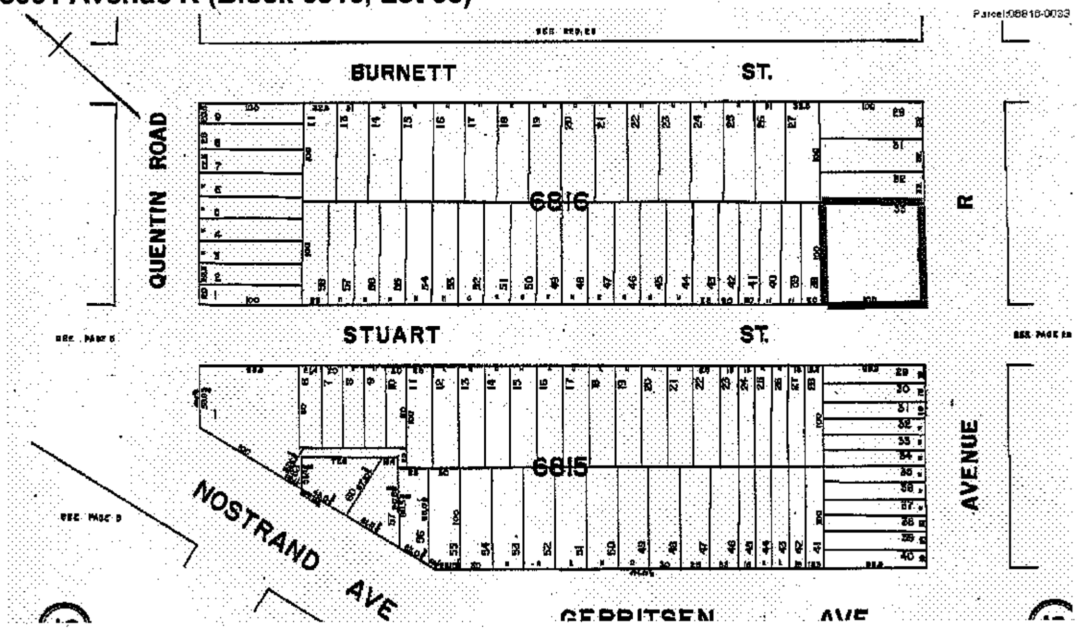
The subject improvements on Block 6841, Lot 1 (3004 Avenue R) total 67,464 square feet of gross building area. This portion of the subject is zoned R4, with an allowable residential FAR of 0.75. Based on a site size of 92,600 square feet, the allowable buildable area of the subject totals 69,450 square feet. Therefore the subject appears to be a legal complying bulk and conforming use.

The subject improvements situated on Block 6816, Lot 33 (3001 Avenue R) total 7,000 square feet of gross building area. This portion of the subject is zoned R3-2, with an allowable residential FAR of 0.5. Based on a site size of 10,000 square feet, the improvements exceed the FAR regulations of the R4 zoning district. Based on the requirements examined, the subject appears to be a pre-existing, legal, and conforming use of the site in our opinion although non-complying with respect to floor area ratio.

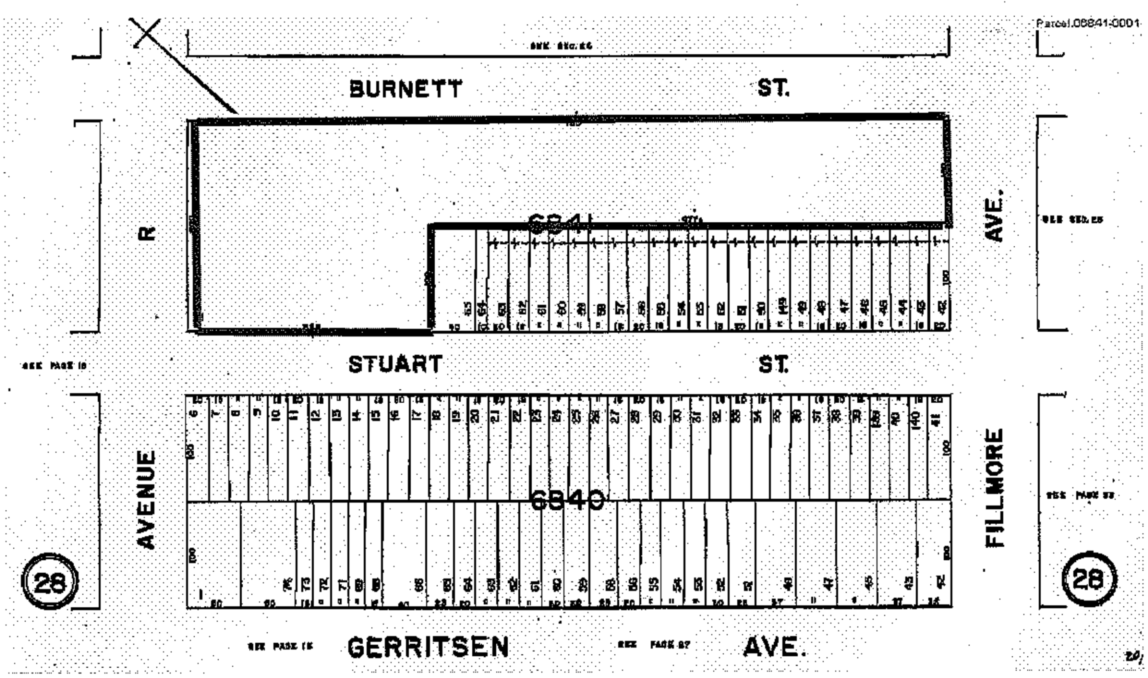
In terms of age, condition, size, and construction, the subject improvements conform with surrounding improvements in the immediate vicinity.

ASSESSED VALUE AND REAL ESTATE TAXES

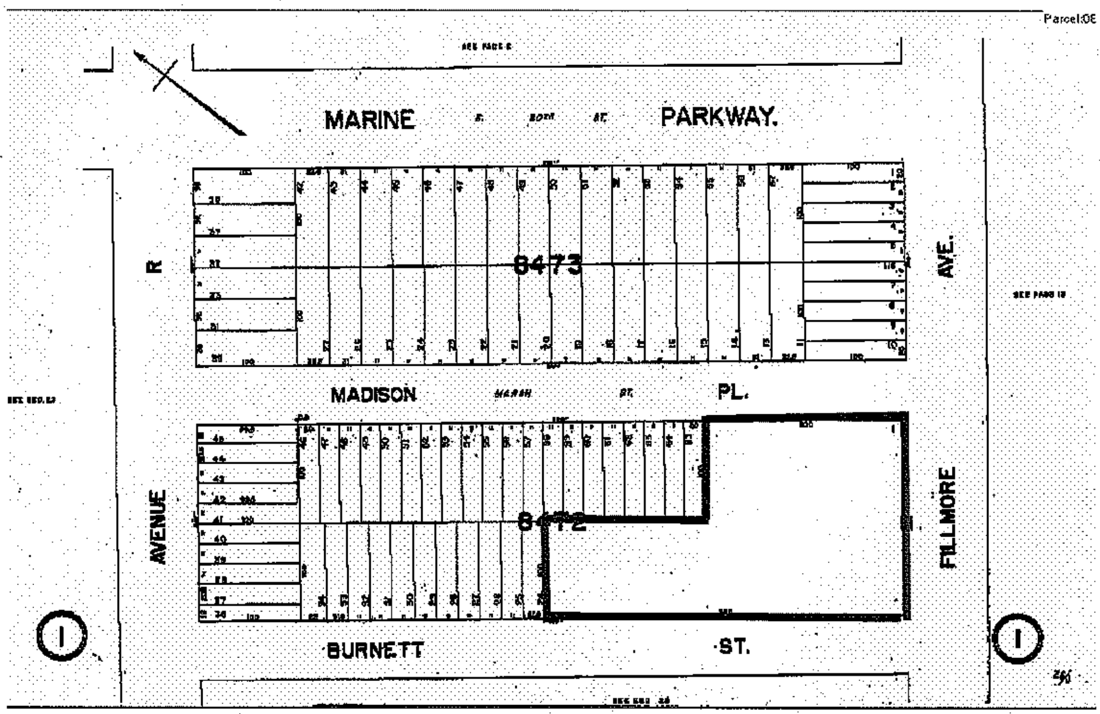
3001 Avenue R (Block 6816, Lot 33)



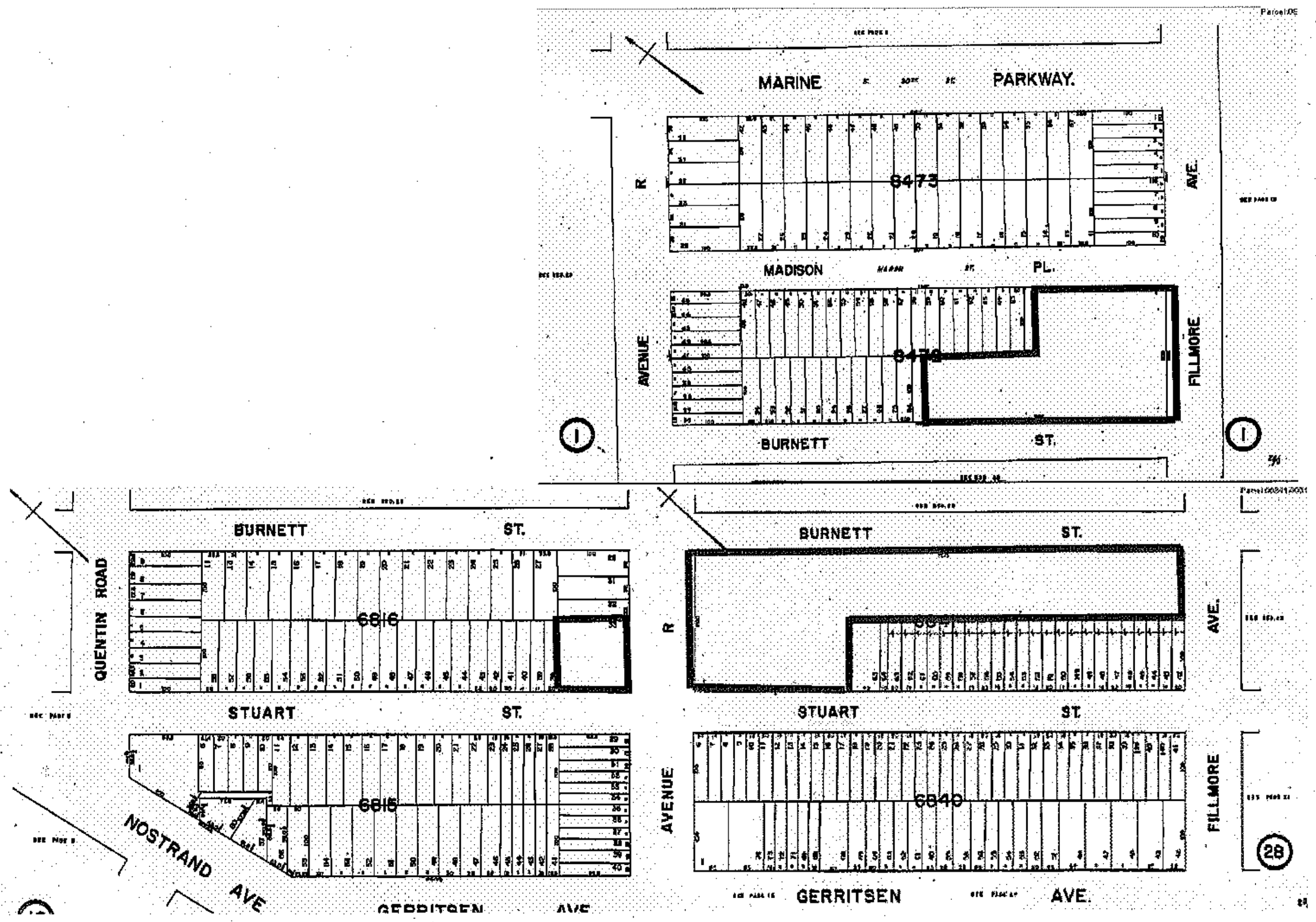
1865 Burnett Street (Block 6841, Lot 1)



3004 Avenue R (Block 8472, Lot 1)



TAX MAP – CONTINUOUS LAYOUT OF GARDEN APARTMENT COMPLEX



Assessments

The subject property is designated on the tax maps of the City of New York, Borough of Manhattan, as Block 1128, Lot 1. The tentative 2007/08 assessed values for the subject property are as follows:

		TRANSITIONAL			ACTUAL		
BLK./LT.	ADDRESS	LAND	BUILDING	TOTAL	LAND	BUILDING	TOTAL
8472/1	1865 Burnett Street	$457,200	$726,300	$1,183,500	$445,500	$1,174,500	$1,620,000
6816/33	3001 Avenue R	$160,606	$65,617	$226,223	$160,606	$65,617	$226,223
6841/1	3004 Avenue R	$972,000	$642,600	$1,614,600	$1,251,000	$285,000	$1,975,500
	TOTALS	$1,589,806	$1,434,517	$3,024,323	$1,857,106	$1,525,117	$3,821,723

Properties in New York City are assessed every year. Increases in assessed value for commercial properties are phased in over a five-year transitional period. The "Transitional" assessed value represents the phased-in, and the "Actual" assessed value represents the future or target assessment when the transitional or phase-in period is over. The tax rate is applied to the lower of the transitional or actual assessed values. Currently, the transitional assessments are below the actual assessments.

Tax Rates

The City of New York has four tax categories for real properties. The subject currently is designated as a Class 2 property. The 2002/2003 Class 2 tax rate was significantly raised in late 2002, as part of an initiative to cover New York City's large budget deficit. The adjusted rate, $12.517 per $100 of assessed value, reflects this increase. The following is an historical analysis of New York City tax rates:

REAL ESTATE TAX RATES, NEW YORK CITY 1990-2007

Year	Class 1	Class 2	Class 3	Class 4
1990/1991	9.920	9.228	15.200	10.004
1991/1992	10.888	9.885	13.083	10.631
1992/1993	10.888	9.910	12.794	10.698
1993/1994	10.900	10.369	7.404	10.724
1994/1995	10.694	10.552	7.702	10.608
1995/1996	10.725	10.807	7.922	10.402
1996/1997	10.785	11.056	7.840	10.252
1997/1998	10.849	11.046	8.282	10.164
1998/1999	10.961	10.739	8.800	10.236
1999/2000	11.167	10.851	9.398	9.989
2000/2001	11.255	10.847	10.540	9.768

Year	Class 1	Class 2	Class 3	Class 4
2001/2002	11.609	10.792	10.541	9.712
First-Half 2002/2003	11.936	10.564	10.607	9.776
Second-Half 2002/2003	14.160	12.517	12.565	11.580
2003/2004	14.550	12.620	12.418	11.431
2004/2005	15.094	12.216	12.553	11.558
2005/2006	15.746	12.396	12.309	11.306
2006/2007	16.118	12.737	12.007	10.997

Source: Historical Rates Provided by New York City Department of Finance for 1990/1991 through 2006/2007

It is noted that between the 2005/2006 and 2006/2007 tax years, the Class 2 tax rate increased by 2.75%. Based on historical tax increases, (not including the decrease in 2004/2005), we will project the current tax rate to increase at 1% for the 2007/2008 tax year. We have projected a modest increase of 1.0% for the 2007/08 tax year and applied a tax rate of 12.86%.

2006/2007 TAX LIABILITY CALCULATION

Taxable AV		Tax Rate		Tax Liability		GBA (SF)		Tax Liability PSF
$3,024,323	x	12.864%	=	$389,049	/	112,404	=	$3.46

2006/07 Tax Liability calculation

To determine the reasonableness of the subject's tax burden, we have researched taxes for comparable garden apartment complexes buildings within the subject area. The tax comparables are as follows:

BUILDING	TAXES PSF
4641 Bedford Avenue	$3.46
35-45 West End Avenue	$2.62
2315-21 West 13th Street	$3.84
2322-26 West 11th Street	$2.42
1664 41st Street	$2.42
AVERAGE	$2.95

The tax comparables range from $2.42 to $3.84 per square foot, averaging $2.95 per square foot. The subject's projected tax burden of $3.46 per square foot is in the range of comparables. Therefore, we have applied the current tax liability in our analysis.

SITE DESCRIPTION

The particulars of the site are summarized as follows:

Location: The subject site consists of three non-contiguous tax lots and is located at the northeast corner of Avenue R and Stuart Street, the entire western blockfront of Burnett Street between Avenue R and Fillmore Avenue with additional frontage on Stuart Avenue, and the entire blockfront on the north side of Fillmore Avenue between Burnett Street and Madison Place, in the Marine Park section of the Borough of Brooklyn, City and State of New York.

Site Area:
Block 6841/Lot 1: 92,600 square feet
Block 8472/Lot 1: 56,000 square feet
Block 6816/Lot 33: 10,000 square feet
Total: 158,600 square feet

Shape: Rectangular

Frontage:
300± total linear feet along Avenue R,
326± linear feet along Stuart Street,
1,060± linear feet along Burnett Street,
300± linear feet along Fillmore Avenue.

Topography: Generally level at street grade

Drainage: Adequate

Paving: All roads are paved with asphalt in accordance with New York City standards. All roads appeared to be in satisfactory condition.

Landscaping: Landscaping includes grass and planted shrubbery. Front yards and common areas are graded and covered with appropriate material.

Parking: Each of the lots has its own parking area with enclosed spaces. Block 6816 has 7 enclosed spaces, Block 6841 has 30 enclosed spaces, and Block 8472 has 18 enclosed spaces The total number of available enclosed parking spaces is 55. In addition, there are 50 "open-air" parking spaces. Total leasable parking at the subject is for 105 spaces. Driveway areas are either asphalt paved. Parking spaces are not included in the rent; all spaces are currently rented.

Street Drainage: Street drainage is collected with the utilization of recessed catch basins. The catch basins empty by gravity into the New York City sewer storm system mains.

Street Lighting: Street lighting consists of standard lighting fixtures which are 400-watt, sodium vapor fixtures and controlled by photo cells. The lighting fixtures are post mounted as per New York City requirements.

Utilities + Services:

Sewer - New York City

Refuse – New York City

Fire Protection – New York City

Police - New York City

Water – New York City

Gas – Con Edison Gas Co.

Electric - Consolidated Edison Company

Hazardous Substances: We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the services of a professional engineer for this purpose.

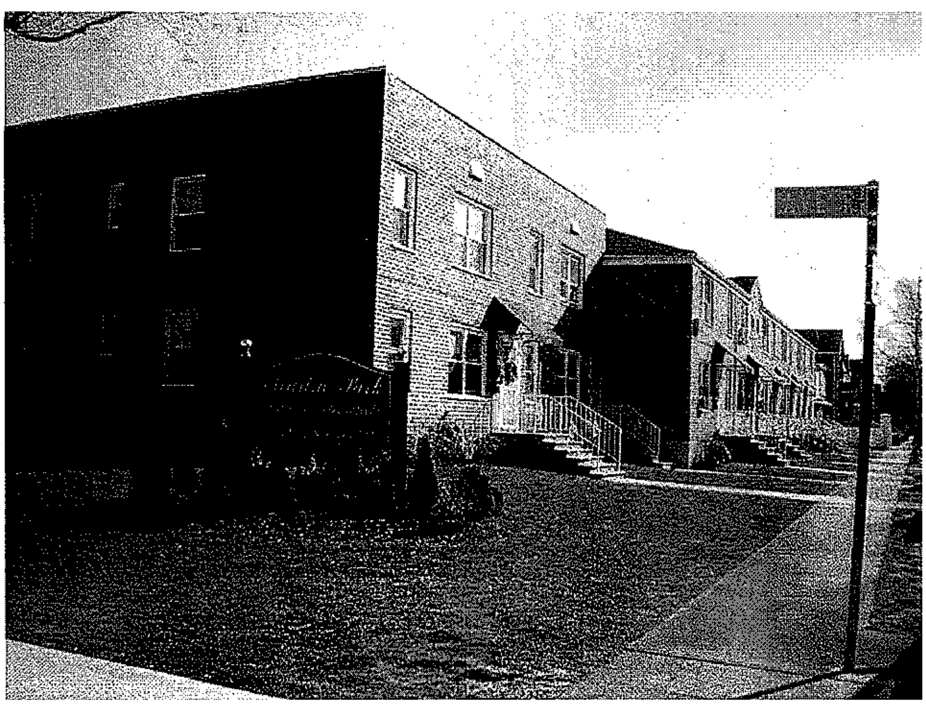
Flood Hazard Status: The subject property is located in "Zone C" on the National Flood Insurance Program Rate Map dated November 16, 1983, Community Panel #360497-0097B.

Conclusion: The subject site is similar to other lots located in the immediate subject vicinity. The site conforms to neighboring standards in most respects and there are no negative external factors affecting the site. Based upon the current use of the site, all aspects of the site are functionally adequate.

SUBJECT PROPERTY PHOTOS

SUBJECT PROPERTY, 1865 BURNETT STREET, MARINE PARK, BROOKLYN

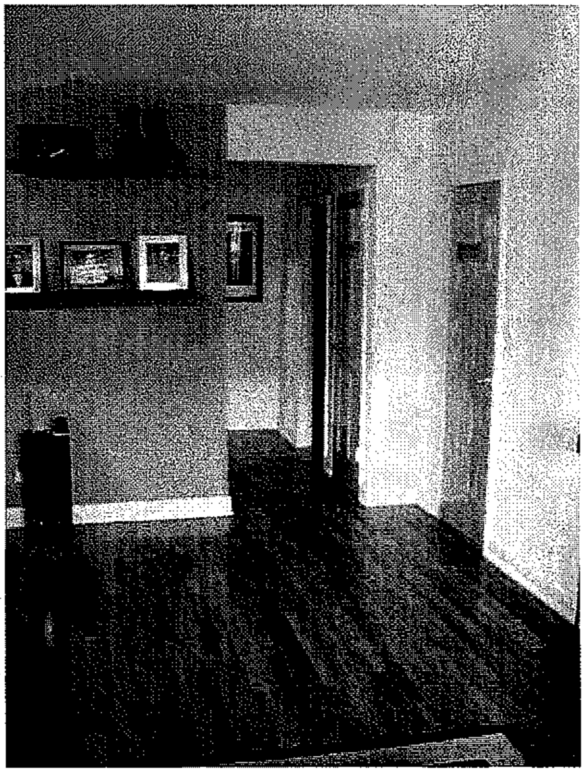
SUBJECT PROPERTY, 3004 AVENUE R



SUBJECT PROPERTY, 3001 AVENUE R

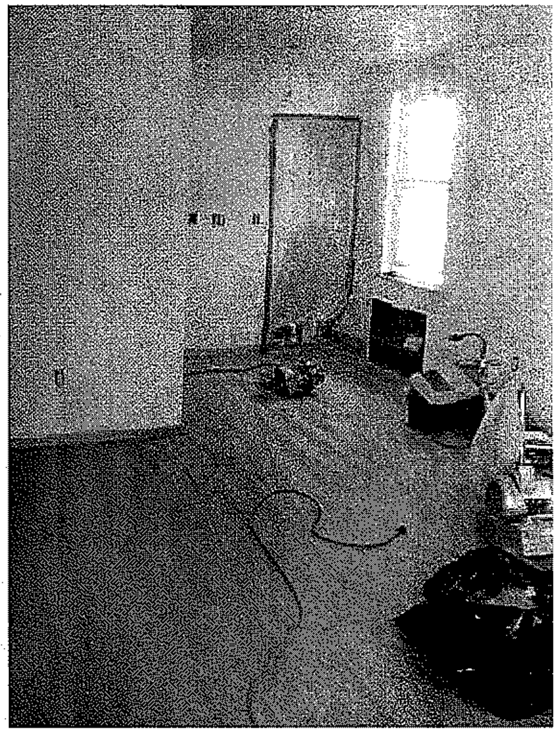
SUBJECT IMPROVEMENTS

APARTMENT INTERIOR

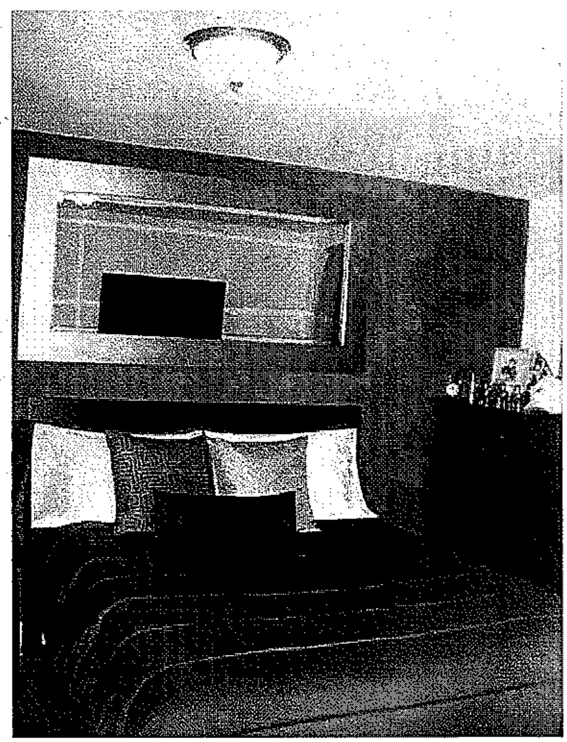


APARTMENT INTERIOR

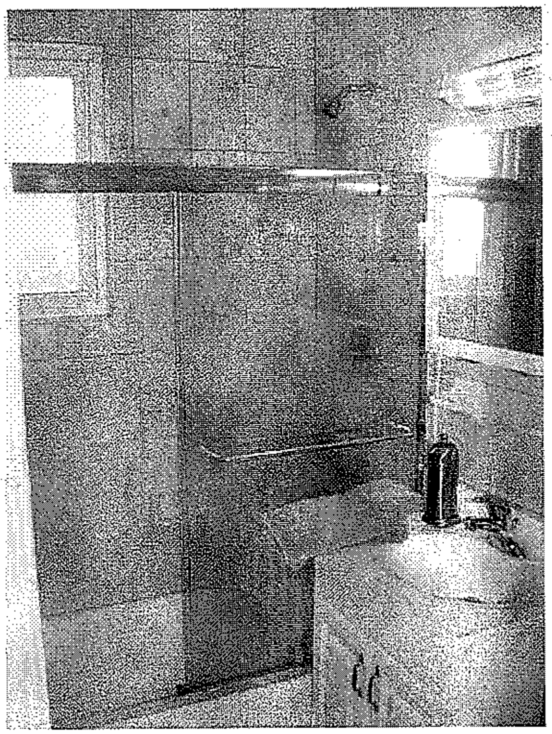
APARTMENT INTERIOR – UNDERGOING RENOVATION



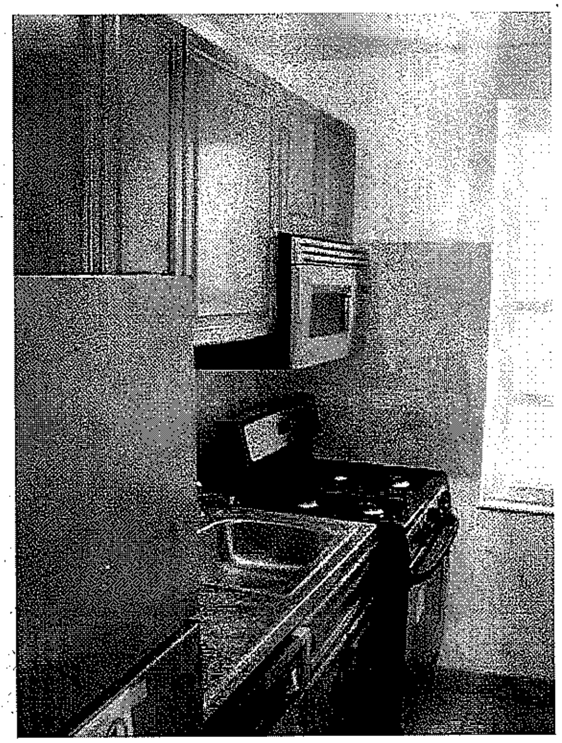
APARTMENT INTERIOR



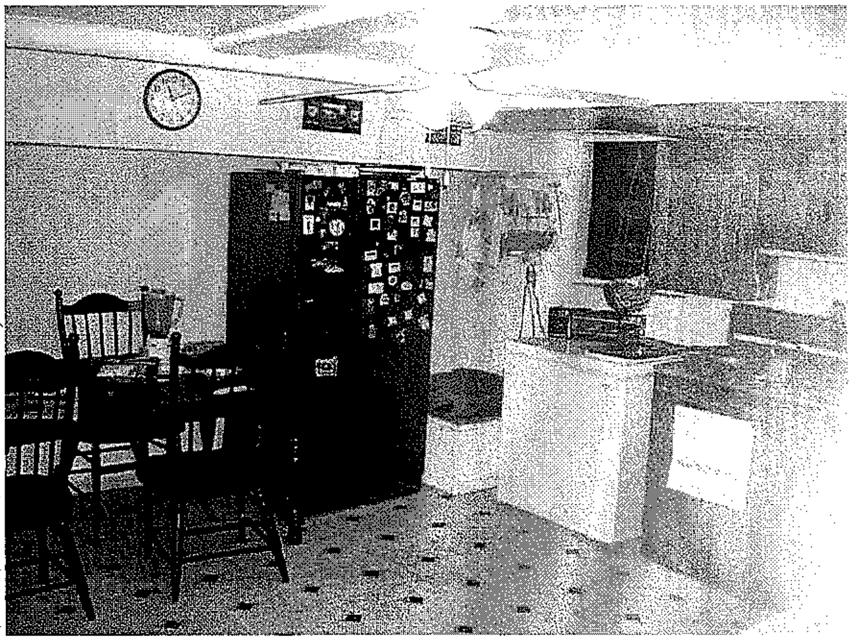
SUBJECT APARTMENT INTERIOR - BATH



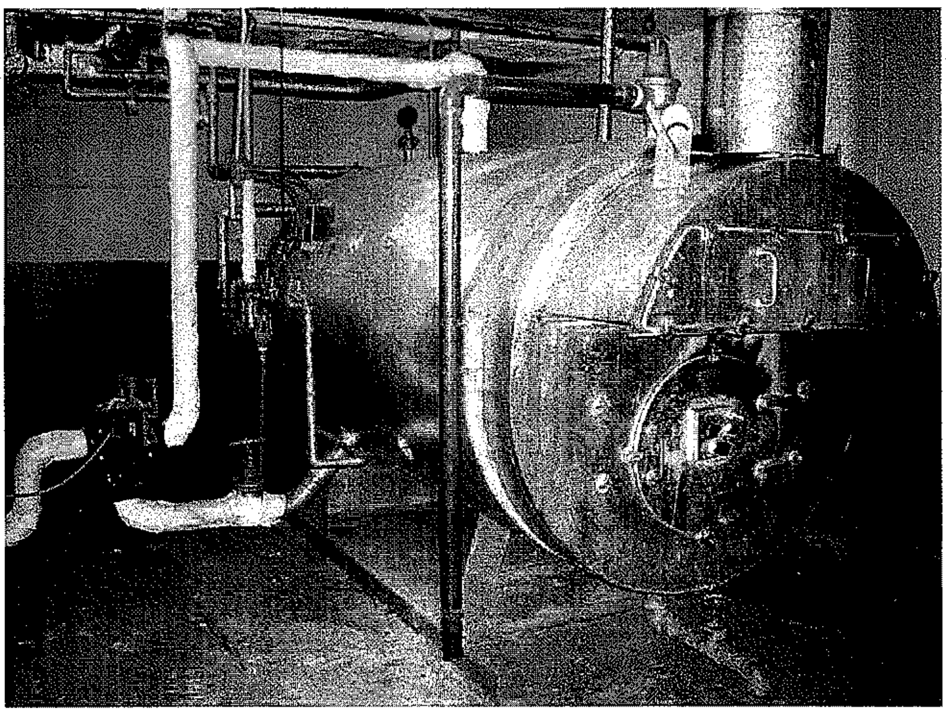
SUBJECT APARTMENT INTERIOR - KITCHEN



SUPERINTENDENT'S UNIT

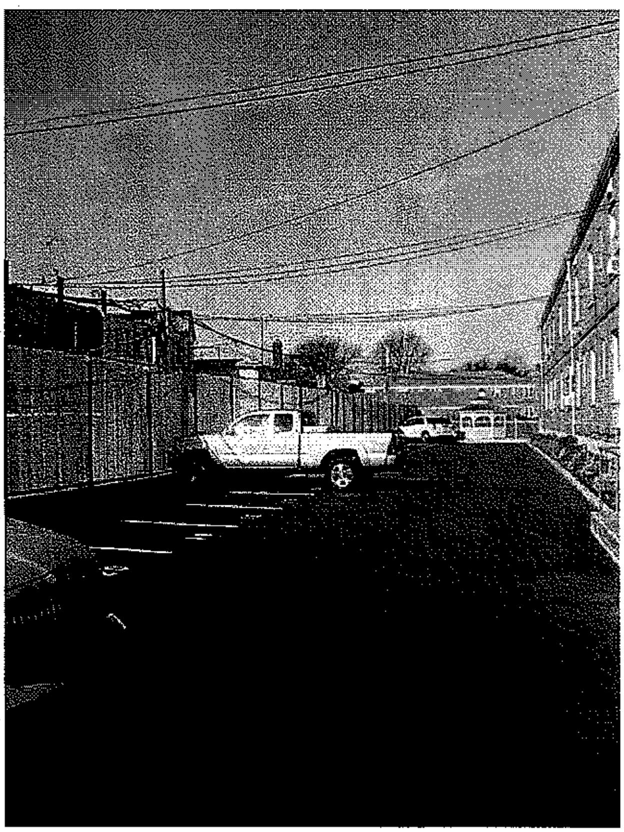


BOILER



COVERED PARKING SPACES

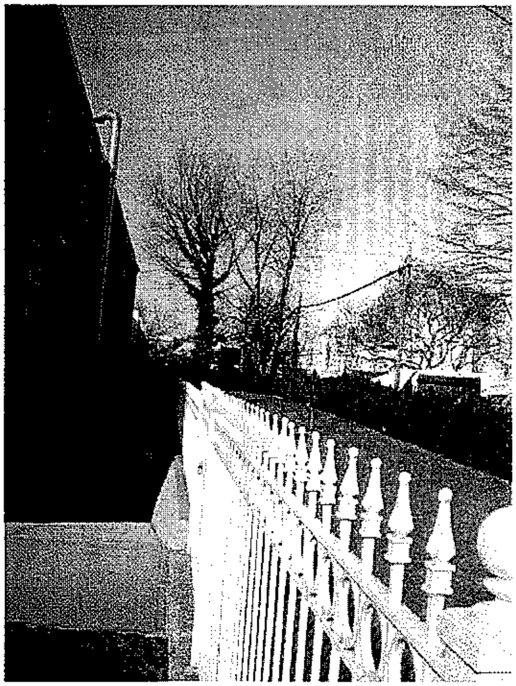
"OPEN AIR" PARKING SPACES



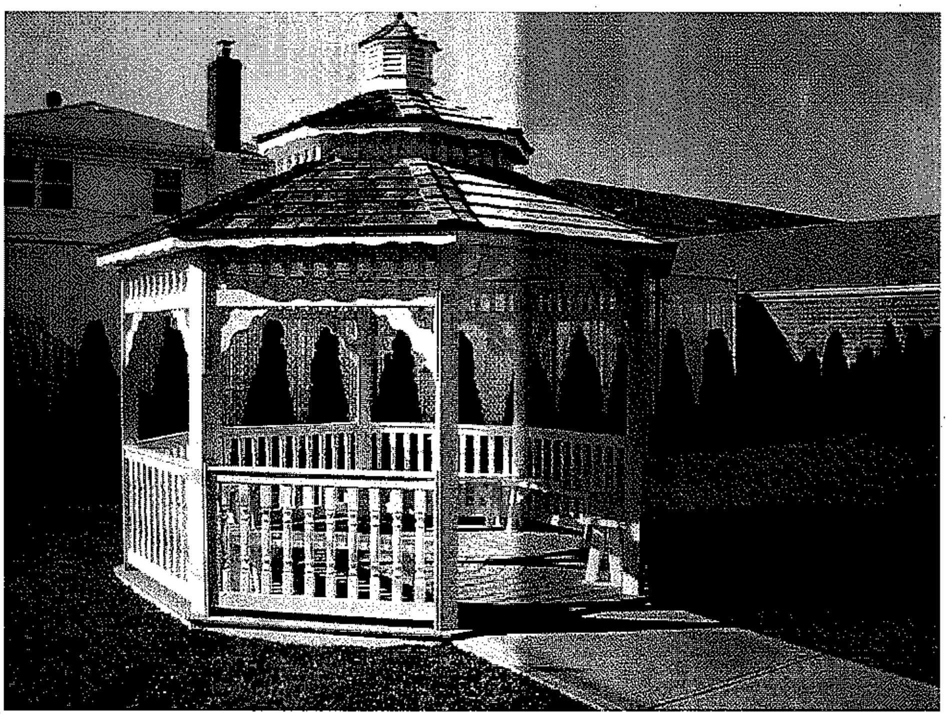
GARAGE (AUTOMATED) SECURITY

PEDESTRIAN SECURITY

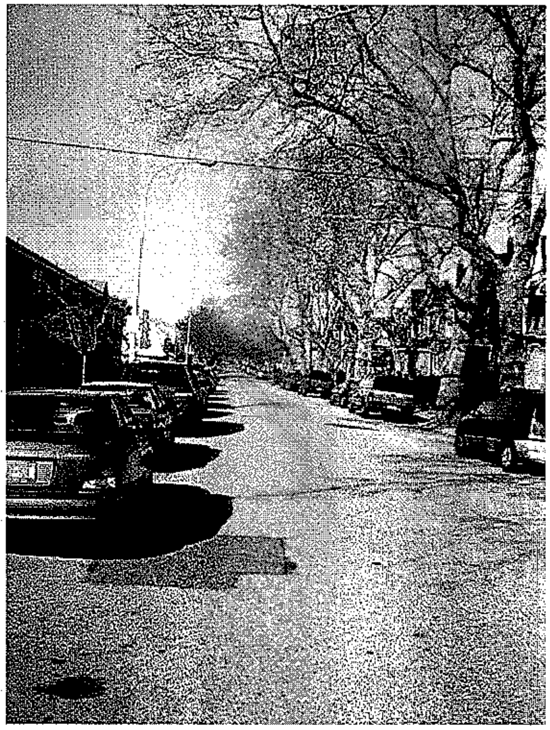
SAMPLE LANDSCAPING



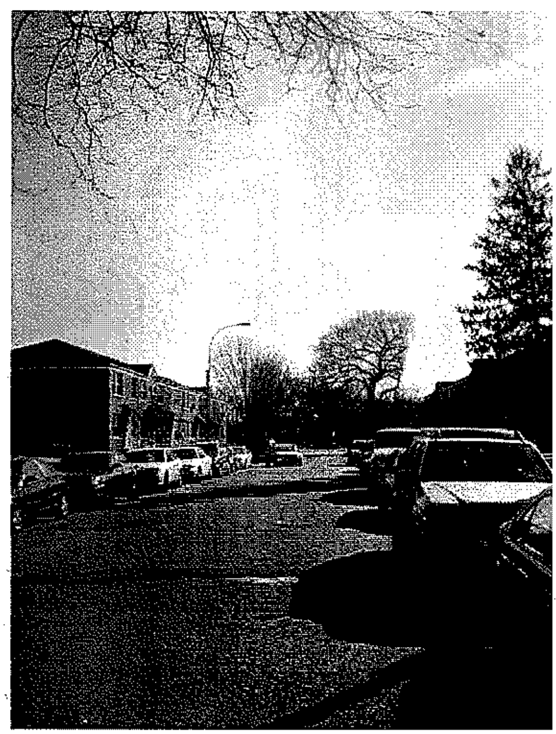
SAMPLE LANDSCAPING



STREETSCAPE: NORTH ON BURNETT STREET



STREETSCAPE: SOUTH ON BURNETT STREET



BUILDING DESCRIPTION

The subject consists of a garden apartment complex containing 144 residential rental apartments units within thirteen, two-story buildings on three non-contiguous tax lots. Access to the second floor apartments is via an intra-building staircase. In addition, the subject contains 105 leasable parking spaces (55 covered spaces and 50 non-covered spaces) as well as 24 below-grade leasable tenant storage spaces. The property was constructed in 1950, has been renovated periodically, and contains a total gross building area of 112,404 square feet. The leasable area of the subject totals 102,650 square feet. It is noted that there are two additional residential units located below-grade which are occupied rent-free by property staff.

It is noted that property ownership is gut-renovating each unit at vacancy for a total cost of approximately $50,000 per unit. As of the date of appraisal, 100 of the 144 units had been renovated, with the work taking place over the last seven years. In addition, property ownership has reportedly spent approximately $4,000,000 in major capital improvements at the subject including new curbing, paving, video surveillance, landscaping, fencing, etc. All of the units are currently leased under New York City rent regulation guidelines.

ADDRESS	BLOCK/LOT	BUILDING AREA (SF)	NO. BLDGS.	NO. UNITS
1865 Burnett Street	8472/1	37,940	4	52
3004 Avenue R	6841/1	67,464	8	84
3001 Avenue R	6816/33	7,000	1	8
TOTAL		112,404	13	144

Foundation:	Poured concrete.
Exterior:	Masonry
Windows:	Double-glazed aluminum sliding windows with "thermal break" type aluminum frames.
Walls:	Painted plaster.
Floors:	Strip hardwood; vinyl tile in kitchens and marble tile in bathrooms.
Roof:	Six buildings contain flat roofs with asphalt covering; seven buildings contain pitched roofs covered with asphalt shingle. Wood trusses and aluminum flashing. Drainage is via aluminum gutters and leaders directed to splash blocks.
Elevators:	None.

Ceilings:	Painted Plaster.
Stairs:	Each set of units contain an intra-building staircase leading to the second floor.
HVAC:	A total of four oil-fired Rockmills boilers with Carlin burners using No. 2 oil provide heat to the complex. Heat is distributed via a hot water system to floor mounted radiators. Oil is stored in three in-ground 5,000 oil tanks, and one in-ground 1,500 oil tank. Domestic hot water is provided for by a heating coil within the boilers. Air conditioning is provided by individual window units
Electricity:	Standard residential service using fuses.
Staffing:	1 full-time superintendent and 1 porters. Both employees live on the property and occupy a unit rent free (below-grade).

Residential Unit Summary

Unit	Room Count	No. of Units	Total Rooms
One-Bedroom	3.0	14	42.0
One-Bedroom plus Dining	3.5	82	287.0
Two-Bedroom	4.5	48	216.0
Total		**144**	**545.0**

It is noted that the subject property contains 1 Section 8 tenant with the remainder of units under the rent regulation guidelines of New York City. In addition, the subject property currently contains 5 vacant one-bedroom units.

Building Management

The subject is managed by ownership. Maintenance is performed by a full-time superintendent and a full-time porter.

Property Leasing

Five of the 144 units are currently vacant. Therefore, the property exhibits an overall residential vacancy rate of 96.5%. All of the subject parking (both covered and outdoor) is fully leased. Tenants are responsible for their individual electricity usage and gas. The residential apartments are rented on a landlord-paid heat and water basis. The neighborhood apartment market leasing practice calls for the payment of an apartment leasing fee by the tenant to the listing broker

Condition

The subject complex was observed to be in very good condition overall, with no signs of functional obsolescence noted. The exterior and interior areas are in good condition and are appear to be well maintained.

Property Summary

Overall, the buildings appear structurally sound and capable for continued residential use.

The information contained in the sections entitled "Zoning Analysis," "Assessed Value and Real Estate Taxes," "Site Description," and "Building Description" was obtained from the following sources:

1. Formal field inspection, January 23, 2007;
2. New York City
3. Sanborn Land Book.
4. Information provided by agents of the owner.

HIGHEST AND BEST USE

The following definition of Highest and Best Use is set forth in *Real Estate Appraisal Terminology* sponsored by the American Institute of Real Estate Appraisers. Highest and Best Use is:

"That reasonable and probable use that will support highest present value, as defined, as of the effective date of the appraisal.

Alternately, that use, from among reasonable, probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value."

In determining highest and best use, we have considered the following:

1. The current trends of supply and demand on the market.
2. Current zoning regulations and other possible restrictions.
3. Neighboring land uses.

It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

In estimating highest and best use, alternative uses are considered and tested for the subject site.

1. Possible Use - An analysis to determine those uses of the subject which can be deemed physically possible;
2. Permissible Use - An investigation into existing zoning regulations, lease terms, and deed restrictions on the site to determine which uses are legally permitted;
3. Feasibility - An analysis to determine which of those uses deemed possible and legal can provide a net return to the owner of the site;
4. Highest and Best Use - Among the feasible uses, which use will provide the highest net return or highest present worth.

As Vacant

Legally Permissible

The subject property is presently zoned R3-2 and R4 Residential, with permissible uses for new construction including low density residential. No known zoning changes to uses other than these are currently being considered or anticipated. The residential nature of the area, combined with the generally good condition of the area's improvements and the current and expected trends in supply and demand, supports the current zoning. It is our opinion that the site, if vacant, could be developed for the above legally permitted uses.

Physically Possible

The subject site is of good size. The site has good access and street improvements, all necessary available utilities and good drainage. We know of no apparent easements or encroachments that would hinder or prevent development on the site. The size of the subject site falls within the range of improved sites in the area. Neither the size of the lot nor its shape is considered to restrict the utility of the site in relation to competing sites. The above legally permitted uses, therefore, are considered physically possible.

Financially Feasible

The subject property is situated among improvements which are primarily residential in nature. Overall, the area is considered accessible to employment and recreational centers and would represent a likely site for residential development.

The subject site is situated in a middle income neighborhood where there is demand for single-family homes, two-family homes and garden apartments. The subject's total land area and site configuration lend themselves to a multifamily residential development of the type represented by the subject. Various factors are conducive to multifamily development. The subject location is highly convenient to major highways and is an excellent location for commuters.

The appraisers conclude that the highest and best use of the subject site, as vacant, is residential development, either in the form of two-family homes or garden apartments.

Maximally Productive/ Highest and Best Use

All legally permissible, physically possible, and financially feasible uses of the subject property, as vacant, have been presented and examined. In conclusion, our opinion is that the highest and best use of the subject property, as vacant, is two-family or garden apartment development.

As Improved

Legally Permissible

A small portion of the subject improvements marginally exceed the FAR regulations of the R3-2 zoning district; the majority of the improvements are located within the R4 zone and comply with the FAR regulations. The R3-2 zoned property is, however, a legal pre-existing, non-complying use. The subject is a conforming property in terms of use. In terms of age, condition, size and construction, the subject improvements conform with surrounding improvements in the immediate vicinity.

Physically Possible

The physical possibility of the subject improvements is manifest by their existence. In addition, the presence of similar improvements in the immediate area attests to the physical possibility of such improvements. The subject improvements were observed, upon inspection, to be in very good condition.

Financially Feasible

The subject is located within a stable residential neighborhood where there is a continuing demand for housing. The location is highly convenient to major highways, shopping and services. Occupancy within the subject complex has been 100% in recent years, with rents at $1,600 - $1,850 for one-bedroom units and $2,500 - $2,750 for two-bedroom units. The subject improvements continue to add value to the land. Therefore, it would be considered unreasonable to demolish the existing improvements, as the subject maintains value based upon its continued use.

Maximally Productive/ Highest and Best Use

All legally permissible, physically possible, and financially feasible alternative uses of the subject property, as improved, have been presented and examined. In summary, the subject is in a stable residential area and continues to generate a return to the land. Therefore, this represents the highest and best use of the property as improved.

APPRAISAL VALUATION PROCESS

In arriving at the value of the subject, the appraiser considered the three primary approaches to real estate valuation: the Income Capitalization Approach; the Sales Comparison Approach; and, the Cost Approach.

The Income Capitalization Approach can be based on two methods of valuation: Direct Capitalization and Discounted Cash Flow. Direct capitalization measures a single year's anticipated income in order to determine its capital sum by means of an overall capitalization rate. This appropriate rate considers risk, debt, and equity goal requirements. This analysis relies on existing (or projected) income and market expenses in order to determine annual net operating income levels. The net operating income is capitalized to a present market value. Direct Capitalization is especially useful when valuing properties with market level leases, when a property is owner occupied in which case a market rent is ascribed to the property or when the income stream is stable. In a situation where a property is encumbered by a lease that is above market, or below market and expiring within the next few years, or where a property is encumbered by several leases that will expire within a typical holding period of 10-years, a DCF analysis is considered appropriate because this analysis considers fluctuations in the income stream over the holding period. We have utilized the direct capitalization method for appraising our subject property.

For the Sales Comparison Approach, market value will be estimated by comparing the subject property to similar residential properties that have been sold recently. This approach is based on the principle of substitution, which states that a knowledgeable investor will pay no more for a property than the amount that would be paid for a comparable substitute property. Based on an active resale market, we have been able to determine an estimate of value based on a price per square foot method.

The Cost Approach is traditionally a good indicator of value when properties being appraised are new or close to new. The subject property was constructed in 1950. Although the building has been renovated more recently than this date, difficulty in estimating all forms of accrued depreciation limits the reliability of this approach. This fact tends to make the Cost Approach a less effective and unreliable tool for estimating market value. In addition, the Cost Approach gives only indirect consideration of the income-producing capabilities of a property such as the subject. Real estate investors today give little consideration to the Cost method of estimating value for investment-type properties such as the appraised property.

Finally, the approaches to value are reconciled into a final market value estimate. The strengths and weaknesses of each approach are discussed, and a final value estimate is made.

THE INCOME APPROACH

The Income Approach is predicated on the assumption that there is a definite relationship between the amount of income that a property is capable of producing and its value. This approach considers the ability of a property to produce income and recognizes that value is the present worth of future benefits resulting from ownership of the property.

The basic steps of the Income Approach are to estimate the gross income the property is capable of generating, deducting potential vacancies and rent deficiencies, resulting in effective gross income. The result is the indication of net operating income before debt service. This net operating is capitalized into an indication of value by the use of a capitalization rate, or it is projected into the future over a selected but appropriate holding period and discounted along with the anticipated reversion (sale price at the end of the holding period) at the investor's or market discount rate in order to arrive at the net present value for the subject property.

As a residential apartment building, the subject property is occupied by short-term leases reflecting a level stream of income. Therefore, it is appropriate to apply the income capitalization method which converts a single year's income into an indication of value. This method will be used in the Income Approach for determining the value of the subject property.

Income

The subject property generates income from multiple sources: residential rents, parking rents, tenant storage rent, and laundry income. In order to project a residential market rent for the subject, it was necessary to research the subject market for comparable residential rental properties. On the following pages, our analysis of the subject's rent roll and comparable rentals is presented.

Rent Roll Analysis - Residential Income

The subject's current rent roll was provided by the owner and will be the basis for our rental projections. The property is partially subject to Section 8 and rent stabilization laws and it is assumed that the rent roll reflects the legal rents as filed with the New York State Division of Housing and Community Renewal (DHCR). The subject rent roll is presented on the following page:

#	Apt. No	Rooms	Comment	DHCR Rent Roll
1	1A	3.5	RS	$1,671
2	1B	3.5	RS	$1,654
3	2A	3.5	RS	$1,322
4	2B	3.5	RS	$1,025
5	3A	4.5	RS	$2,500
6	3B	4.5	RS	$2,450
7	4A	3.5	RS	$1,056
8	4B	3.5	RS	$973
9	5A	3.5	RS	$1,275
10	5B	3.5	RS	$1,082
11	6A	3.0	RS	$1,587
12	6B	3.0	RS	$1,702
13	7A	3.5	RS	$1,613
14	7B	3.5	Vacant	$0
15	8A	4.5	RS	$2,032
16	8B	4.5	RS	$1,474
17	9A	4.5	RS	$1,641
18	9B	4.5	RS	$1,134
19	10A	3.5	RS	$1,654
20	10B	3.5	RS	$1,654
21	11A	3.5	RS	$1,739
22	11B	3.5	RS	$1,809
23	12A	4.5	RS	$1,374
24	12B	4.5	RS	$1,166
25	13A	4.5	RS	$1,388
26	13B	4.5	RS	$1,290
27	14A	3.5	RS	$1,748
28	14B	3.5	RS	$916
29	15A	3.0	RS	$1,233
30	15B	3.0	RS	$1,032
31	16A	3.5	RS	$1,133
32	16B	3.5	RS	$1,781
33	17A	3.5	RS	$1,327
34	17B	3.5	RS	$1,266
35	18A	4.5	RS	$1,800

#	Apt. No	Rooms	Comment	DHCR Rent Roll
36	18B	4.5	RS	$1,177
37	19A	3.0	RS	$1,826
38	19B	3.0	RS	$987
39	20A	3.5	RS	$1,442
40	20B	3.5	RS	$1,654
41	21A	4.5	RS	$2,000
42	21B	4.5	RS	$1,119
43	22A	3.5	RS	$1,796
44	22B	3.5	RS	$1,299
45	23A	3.5	RS	$1,327
46	23B	3.5	RS	$1,419
47	24A	3.5	RS	$896
48	24B	3.5	RS	$1,221
49	25A	4.5	RS	$1,259
50	25B	4.5	RS	$1,368
51	26A	3.5	RS	$1,632
52	26B	3.5	RS	$985
53	27A	3.5	RS	$1,173
54	27B	3.5	RS	$1,691
55	28A	4.5	RS	$1,349
56	28B	4.5	RS	$2,073
57	29A	4.5	RS	$2,259
58	29B	4.5	RS	$1,152
59	30A	3.5	RS	$1,762
60	30B	3.5	RS	$1,764
61	31A	3.5	RS	$1,050
62	31B	3.5	Vacant	$0
63	32A	4.5	RS	$1,531
64	32B	4.5	RS	$1,266
65	33A	3.0	Vacant	$0
66	33B	3.0	RS	$1,353
67	34A	3.5	RS	$997
68	34B	3.5	RS	$1,587
69	35A	3.5	Sec8	$1,425
70	35B	3.5	RS	$1,600

#	Apt. No	Rooms	Comment	DHCR Rent Roll
71	36A	4.5	RS	$2,427
72	36B	4.5	RS	$1,120
73	37A	3.0	RS	$1,117
74	37B	3.0	RS	$1,209
75	38A	3.5	RS	$1,041
76	38B	3.5	RS	$928
77	39A	3.5	RS	$1,433
78	39B	3.5	RS	$1,500
79	40A	4.5	RS	$2,000
80	40B	4.5	RS	$2,174
81	41A	4.5	RS	$1,226
82	41B	4.5	RS	$2,224
83	42A	3.5	RS	$1,289
84	42B	3.5	RS	$1,249
85	43A	3.5	RS	$1,656
86	43B	3.5	RS	$1,654
87	44A	3.5	RS	$1,004
88	44B	3.5	Vacant	$0
89	45A	3.5	RS	$959
90	45B	3.5	RS	$1,800
91	46A	4.5	RS	$1,173
92	46B	4.5	RS	$2,000
93	47A	4.5	RS	$2,500
94	47B	4.5	RS	$2,227
95	48A	3.5	RS	$1,530
96	48B	3.5	RS	$1,156
97	49A	3.5	RS	$1,237
98	49B	3.5	RS	$1,421
99	50A	4.5	RS	$2,092
100	50B	4.5	RS	$1,534
101	51A	4.5	RS	$2,147
102	51B	4.5	RS	$1,351
103	52A	3.5	RS	$1,728
104	52B	3.5	RS	$1,158
105	53A	3.5	RS	$1,740

#	Apt. No	Rooms	Comment	DHCR Rent Roll
106	53B	3.5	RS	$1,333
107	54A	3.0	RS	$1,047
108	54B	3.0	RS	$1,160
109	55A	3.5	RS	$1,618
110	55B	3.5	RS	$1,719
111	56A	4.5	RS	$2,457
112	56B	4.5	RS	$1,158
113	57A	4.5	RS	$2,311
114	57B	4.5	RS	$2,019
115	58A	3.5	RS	$1,074
116	58B	3.5	RS	$1,187
117	59A	3.5	RS	$1,654
118	59B	3.5	Vacant	$0
119	60A	3.5	RS	$971
120	60B	3.5	RS	$1,132
121	61A	3.5	RS	$1,587
122	61B	3.5	RS	$1,481
123	62A	3.5	RS	$1,500
124	62B	3.5	RS	$1,500
125	63A	4.5	RS	$1,137
126	63B	4.5	RS	$2,161
127	64A	3.5	RS	$1,702
128	64B	3.5	RS	$1,809
129	65A	4.5	RS	$2,241
130	65B	4.5	RS	$2,272
131	66A	3.5	RS	$1,654
132	66B	3.5	RS	$1,027
133	67A	3.5	RS	$1,024
134	67B	3.5	RS	$1,492
135	68A	3.0	RS	$1,616
136	68B	3.0	RS	$977
137	69A	4.5	RS	$1,485
138	69B	4.5	RS	$1,431
139	70A	3.5	RS	$1,267
140	70B	3.5	RS	$1,134

#	Apt. No	Rooms	Comment	DHCR Rent Roll
141	71A	3.5	RS	$1,224
142	71B	3.5	RS	$1,810
143	72A	4.5	RS	$2,349
144	72B	4.5	RS	$2,748
	Total Rooms:	144.0	Total Monthly Income:	$210,411
	Total Units:	545.0	Total Annual Income:	$2,524,927

Per the submitted rent roll, the annual residential rent for the subject's occupied units, consisting of rent stabilized units, is $2,524,927. The subject is currently 96.5% occupied with 5 units currently vacant and undergoing extensive renovation. The following is a breakdown of the monthly rents for the subject's occupied units:

Unit	No. of Units	Rental Range Per Month			Total Annual Rent	Avg. Rent Per Month
One-Bedroom	91	$896	to	$1,826	$1,507,743	$1,381
Two-Bedroom	48	$1,119	to	$2,748	$1,017,184	$1,766
	139				$2,524,927	$1,514

Each type of unit exhibits a wide range in monthly rent. This is attributable to the effects of rent regulation laws, which tend to limit rent increases for units occupied by long-term tenants. The following table is a breakdown of the subject's units based on their rent-regulated status:

Unit	No. of Units	Rent per Month			Total Annual Rent	Avg. Rent Per Month
Rent Control	0	$0	to	$0	$0	$0
Rent Stabilized	138	$896	to	$2,748	$2,507,828	$1,514
Vacant	5	$0	to	$0	$0	$0
Section 8	1	$1,425	to	$1,425	$17,099	$1,425
Total	144				$2,524,927	$1,461

SUMMARY OF RENT STABILIZATION LAWS

The following categories of rental housing are covered by rent stabilization laws:

1. All housing in buildings containing six or more dwelling units completed prior to January 1, 1974 and not subject to rent control.

2. All vacancy decontrolled apartments in buildings containing six or more dwelling units.

3. Buildings built on or after January 1, 1974 receiving tax benefits under Section 421 and 423 of the Real Property Tax Law, or J-51-2.5 (now section 11-243) of the Administrative Code of the City of New York plus certain housing rehabilitated under governmental loan programs.

4. All housing subject to the Rent Stabilization Law of 1969 continues to be subject to such law, except that tenants who enter into occupancy after June 30, 1971 become subject to the ETPA.

High Rent Exclusion

There are two exclusions for "high rent apartments" which are in buildings that are not receiving 421-a benefits or are not lofts:

1. If an apartment has a monthly rent of $2,000 or more, then the apartment will be excluded from coverage upon vacancy. Local Law 12 of 2000 adds the requirement that owners give written notice to the first tenant who rents the deregulated apartment. The notice should state the apartment's last regulated rent, give the reason the apartment is not subject to the rent stabilization law or the rent control law, provide the calculation showing how the owner could charge a legal rent of $2,000 or more for the apartment, and it should state that the tenant can verify the last regulated or maximum rent by contacting the New York State Division of Housing and Community Renewal ("DHCR"). Local Law 12 of 2000 further requires that owners send the first tenant of a deregulated apartment a copy of the first registration statement filed with DHCR upon deregulation.

2. (a) If an apartment has a monthly rent of $2,000 or more and the tenant and all persons occupying the apartment as their primary residence have a total federal adjusted gross income in excess of $175,000 for each of the two preceding calendar years, then the apartment will be excluded from coverage upon the expiration of the lease upon issuance of an order from DHCR. Prior to the passage of the Rent Regulation Reform Act of 1997 the exclusion applied to income in excess of $250,000.

   (b) When an apartment is decontrolled because of high income, the owner shall offer the tenant a lease at a rent not in excess of the market rent (i.e. an arm's length transaction). The tenant has 10 days to accept the offer. If the tenant does not accept the offer, the tenant may be evicted.

Vacancy Decontrol

Rent controlled apartments, which become vacant are not subject to rent control but thereafter are subject to rent stabilization at the "Initial Legal Regulated Rent." The Initial Legal Regulated Rent is the rent agreed to by the owner and new tenant, subject to a fair market rent adjustment if the tenant files a complaint with the DHCR.

Owners are required to serve the first stabilized tenant with a form prescribed by the DHCR notifying the tenant that he has the right to appeal the initial rent. If the tenant fails to make such an appeal within ninety days of such notice, the tenant waives right to appeal the Initial Legal Rent. If the owner fails to give such notice, the first tenant or any subsequent tenant may file an

appeal.

New York State Division of Housing and Community Renewal

The DHCR now administers both rent control and rent stabilization within the City of New York. The DHCR is authorized to promulgate amendments to the Rent Stabilization Code.

Rent Registration

Owners are required to annually register with the DHCR all rent stabilized apartments. The registration statement lists the rent charged on the registration date, the number of rooms, the services provided on the base date and various building-wide information. A copy of the registration statement must be mailed to the tenant occupying a stabilized unit. Unless an apartment has been properly registered, no rent increase may be charged.

The maximum lease term is two years. Both vacancy and renewal tenants are to be given the option of a one or two-year lease. The Rent Regulation Reform Act of 1997 provides for special increases in vacancy leases over and above the vacancy increases authorized by the Rent Guidelines Board based on whether (a) the new lease is a one or two year lease and (b) there was a vacancy lease within the prior eight years and (c) the amount of the prior rent.

The Code promulgated by the DHCR provides that the tenant has the right to add his/her spouse as a named tenant on the lease. The Code also gives certain "family members" a right, known as succession, to a renewal lease if the tenant of record vacates the housing accommodation or dies.

The Rent Regulation Reform Act of 1997 limited the types of family members who could claim succession and limits the right to succession at a renewal lease rate to one generation. Upon the second claim of succession, the family member must pay rent according to the vacancy formula described above.

Rent Adjustments

- ***"Hardship"*** An owner may apply for a rent increase based on hardship under one of two formulas:
- *A.* ***"Comparative Hardship"*** The owner must show that he has not maintained the same average net income in a current three-year period compared to the average net income during a three-year base period, generally defined as 1968 through 1970. Experience has shown that this formula is virtually worthless.
- *B.* ***"Alternative Hardship"*** The owner must establish that an increase is necessary because the annual operating expenses are not less than 95% of the annual gross rent income arising out of the operation and ownership of the property. Only certain expenses, including interest on institutional mortgages, are allowed to be deducted from the actual income received.

Whenever the increase is based on "comparative hardship" or "alternative hardship," the

maximum increase is 6% each year and the maximum frequency of application is once every three years.

- ***"Major Capital Improvements"*** An owner may apply for rent increases based upon the actual cost of Major Capital Improvements (specified in the Code) completed within two years prior to the date of application. Rent increases are computed on a seven year amortization of the actual cost for work commenced after June 28, 1990 (a five year amortization applies to work commenced on or before June 28, 1990), with the increase being 6% each year. The DHCR will provide a prior opinion concerning the eligibility of improvements not specified on the list contained in the Code. Recent legislation passed by the New York City Council limits the amount MCI benefits if the owner receives tax benefits under Section J-51 (now 11-243) of the New York City Administrative Code.
- ***"Apartment Improvements"*** Rents for individual apartments may be increased 1/40th of the cost, including installation, of new services and equipment. If the new service or equipment is installed in or provided to an occupied apartment, written consent by the tenant to the rent increase is required. In the case of a vacant apartment, tenant consent is not required.

Non-Renewal of Leases

Other than the regulation of rent, the primary protection afforded to a "rent-stabilized" tenant is the right to a renewal lease.

Rent Control

The rent control program generally applies to residential buildings constructed before February 1947 in municipalities that have not declared an end to the postwar rental-housing emergency. A total of 51 municipalities have rent control, including New York City, Albany, Buffalo and various cities, towns, and villages in Albany, Erie, Nassau, Rensselaer, Schenectady and Westchester counties.

For an apartment to be under rent control, the tenant must have been living in that apartment continuously since before July 1, 1971. When a rent controlled apartment becomes vacant, it either becomes rent stabilized, or, if it is in a building with fewer than six units, it is generally removed from regulation. An apartment in a one- or two-family house must have a tenant in continuous occupancy since March 31, 1953 in order to be subject to rent control. Once it is vacated after that date, it is no longer subject to regulation. Previously controlled apartments may have been decontrolled on various other grounds.

Rent control limits the rent an owner may charge for an apartment and restricts the right of any owner to evict tenants.

Rents charged in controlled apartments are set and adjusted on the basis of registrations filed by owners when Federal rent control was imposed in 1943. The rent control law allows DHCR to determine how much rents can be increased based on an assessment of what it costs owners to

operate their buildings plus a reasonable profit.

In New York City, rent control operates under the Maximum Base Rent (MBR) system. A maximum base rent is established for each apartment and adjusted every two years to reflect changes in operating costs. Owners who certify that they are providing essential services and have removed violations, are entitled to raise rents up to 7.5 percent each year until they reach the MBR. Tenants may challenge the proposed increase on the grounds that the building has violations or that the owner's expenses do not warrant an increase.

For New York City rent controlled apartments, rents can also be increased because of increases in fuel costs (passalongs) and in some cases, to cover higher labor costs.

Market Rents

The subject has a total of 5 vacant units consisting entirely of one-bedroom apartments. As will be noted below, our market rent projection for the subject's one-bedroom totals $1,850 per month. As the legal rents for each of the vacant units exceeds this amount, ownership will be able to achieve the $1,850 market rent projection for the vacant units. With 5 units currently vacant, the projected income from the leasing of the market rate units totals $110,000 ($1,850 per month x 5 vacant units x 12 months).

In order to compare the rent roll with market rents, as well as to confirm the projected rents for the subject's vacant units are market oriented and reasonable, we have researched the rental apartment market for comparable apartment rentals with regard to location, unit size, amenities, and condition. As the subject is very well maintained, contains predominantly renovated units in excellent condition, has on-site parking, tenant storage, 'state-of-the-art' security systems, and laundry, the subject will compete with luxury building stock. It is further noted the subject benefits greatly from its proximity to Marine Park, a 700-acre public space with a wide variety of recreational activities. The comparable rental properties consist of luxury apartment buildings in the subject area and surrounding communities of Sheepshead Bay, Brighton Beach, and Bay Ridge. All of the comparables are within a 3.0 mile radius of the subject. The comparables have occupancy levels generally between 97% and 100%. The subject is currently 96.5% occupied with the vacant units undergoing extensive renovations. Presented on the following pages is a survey of comparable apartment complexes within the general area of the subject property.

SURVEY OF COMPARABLE RESIDENTIAL RENTAL PROPERTIES

Address	Current Occupancy	Type	Area (SF)	Monthly Rent	Comments
514 Bay Ridge Avenue Bay Ridge, Brooklyn, NY	100%	1BR 2 BR	472 to 748 830 to 1,106	$1,300 to $1,700 $2,300 to $2,800	16-unit, 4-story elevator apartment building converted from commercial use in 2002. Building contains elevator
3111 Ocean Parkway Brighton Beach, Brooklyn, NY	97%	1BR	720	$1,600	14-story, 116 unit, elevator condominium building. Beachfront Location.
3191 Emmons Avenue Sheepshead Bay, Brooklyn, NY	100%	1BR 2 BR	650 1,050	$1,500 $2,300	6-story, 37 unit, elevator rental building. No amenities.
3205 Emmons Avenue Sheepshead Bay, Brooklyn, NY	98%	1BR 2 BR	650 800	$1,600 $2,400	New 6-story rental apartment building. Part-time Doorman. No amenities.
6824 Fourth Avenue Bay Ridge, Brooklyn, NY	100%	1BR 2BR	830 1,050	$1,850 $2,450	Newly renovated four-story walkup building with six residential units. No amenities.
447 95th Street Bay Ridge, Brooklyn		1BR	900	$2,200	Newly constructed walkup condominium property with on-site parking. No other amenities. Parking included in rent.
6821 Shore Road Bay Ridge, Brooklyn	96%	2BR	958	$2,400 to $2,800	6-story, 27-unit elevator apartment building constructed in 1999. Front units with Bay views. Part-time attended lobby. No other amenities.
Oceana 3205 Coney Island Avenue Brighton Beach, Brooklyn	96%	1BR 2 BR	871 to 1,069 952 avg. 1,159 to 1,243 1,214 avg.	$1,600 to $2,250 $2,056 avg. $2,200 to $2,900 $2,526 avg.	Mid-rise waterfront property built in phases between 1999 and the present. Gated access, 24-hour guard, on-site parking, club house and gym, indoor and outdoor pool, beach and boardwalk access.

MARKET RENT COMPARED TO SUBJECT'S RENT ROLL

	Market Survey	Subject's Units	Market Rent Projection
1 BR Monthly Range	$1,300 - $2,250	$896 - $1,826	$1,850
1BR Average	$1,733	$1,381	
2 BR Monthly Range	$2,200 - $2,900	$1,119 - $2,748	$2,750
2BR Average	$2,505	$1,766	

Market Rent Reconciliation

The comparables consist of newly constructed or renovated residential rental properties within a 3.0 mile radius of the subject. The comparable one-bedroom units ranged from $1,300 to $2,750 per month, with an average of $1,733 per month. The subject property is very well maintained with units receiving a gut renovation at vacancy. In addition, approximately $4,000,000 has been spent over the preceding two to three years in non-unit capital improvements. The aforementioned upgrades and renovations allow the subject to compete very favorably with the local competition. The majority of the comparables are located in close proximity to recreational areas as is the subject with Marine Park abutting the property to the southeast. Considering the quality and condition of the subject property and considering the proximity to Marine Park and the amenities at the subject such as parking and leasable storage, we have assigned a market rent above the average of the comparable range. Our market rent conclusion for one-bedroom apartments at the subject totals $1,850 per month. Our market projection is reasonably within the

comparable range on a monthly rental basis and will be applied for the vacant one-bedroom units. The subject's rent stabilized one-bedroom units ranged from $896 to $1,826, with an average of $1,381 per month. The subject's rent regulated one-bedroom units are predominantly below the market range, suggesting upside potential.

The comparable two-bedroom units ranged from $2,200 to $2,900 per month, with an average of $2,505 per month. As previously noted, the upgrades and renovations at the subject allow the property to compete very favorably with the local competition. Our market rent conclusion for two-bedroom apartments at the subject totals $2,750 per month. Our market projection is reasonably within the comparable range on a monthly rental basis. The subject's rent stabilized two-bedroom units ranged from $1,119 to $2,748, with an average of $1,766 per month. The subject's rent regulated two-bedroom units are predominantly well below the market projection, suggesting upside potential.

The subject's actual annual gross income indicates the subject is below market, suggesting upside potential for many of the subject's units. The subject's current below-market rent roll will be applied in this analysis with this upside considered in determining an appropriate capitalization rate.

Conclusion

All of the subject's legal rents are well supported by rent levels achieved in comparable buildings. In conclusion, these legal rents will be the basis for our valuation along with our projected rents for the subject's vacant units. The subject's actual annual gross income indicates the subject is below market, suggesting upside potential. Therefore the subject's current rent roll will be applied in this analysis with the upside considered in determining an appropriate capitalization rate.

Income from Vacant Units

The income derived from the owner's rent projection for the vacant units is as follows:

Unit Type	# of Vacant Units	Projected Rent per Month	Projected Annual Income per Unit	Projected Annual Income for Vacant Units
1 BR	5	$1,850	$22,200	$111,000

History of Rent Increases

The following is a brief history of the New York City Rent Stabilization Increase Guidelines:

Year	1-year lease	2-year lease
1995/1996	2.0%	4.0%
1996/1997	5.0%	7.0%
1997/1998	2.0%	4.0%
1998/1999	2.0%	4.0%
1999/2000	2.0%	4.0%
2000/2001	4.0%	6.0%
2001/2002	4.0%	6.0%
2002/2003	2.0%	4.0%
2003/2004	4.5%	7.5%
2004/2005	3.5%	6.5%
2005/2006	2.75%	5.5%
2006/2007	4.25%	7.25%
Average:	3.2%	5.5%

The most recent rent stabilization increase guidelines allows a 7.25% increase on a two-year lease and a 4.25% increase on a one-year lease. We assume that 50% of tenants sign one-year leases and 50% of tenants sign two-year leases.

In order to project vacancy turnover for currently occupied units, we researched average annual apartment turnover for rent stabilized apartments throughout the City. According to the Housing and Vacancy Survey, a triannual survey of New York's housing stock performed by the Department of Housing Preservation and Development with the national Census Department, an average of 11.4% of rent stabilized units were leased to new tenants annually between 2002 and 2004 and an average of 10.9% of rent stabilized units were leased to new tenants annually between 1999 and 2001. Since some of these new rent stabilized leases may have been due to new construction of properties entering the rent stabilization for the first time, we will project annual turnover of rent stabilized units at 10% for the subject property for the upcoming and future years.

When rent stabilized units are vacated, the last legal rent may be increased by 20%.

PROJECTED RENT STABILIZED INCOME GROWTH

	Allowable Increase		Tenancy		12-Month Adjustment Factor		Blended Increase
1-Year	4.25%	x	50%	x	100%	x	2.13%
2-Year	7.25%	x	50%	x	50%	x	1.81%
Weighted Average Increase							3.94%

Our analysis assumes that 50% of tenants sign one-year leases and 50% of tenants sign two-year leases. The adjusted weighted average increase for rent stabilized units amounts to 4% (rounded). For the first year of our analysis, we will increase the rent stabilized rent roll by 2% to reflect lease renewals and vacancies spread evenly over the upcoming 12-month period.

Rent control units are currently subject to a 7.5% allowable increase on yearly rents, a percentage that has remained steady for the past several years. We have projected a 2% increase per annum for Section 8 tenants.

We have not projected any increases to the subject's projected market rents for the upcoming stabilized year.

Potential Residential Gross Income

The potential income for the subject, with associated projected rent increases due to rent regulation, is figured as follows:

POTENTIAL RESIDENTIAL INCOME

Income Type	Annual Rent		Increase		2007/2008 Potential Income
Rent Control	$0	x	1.075	=	$0
Rent Stabilized (Occupied)	$2,507,828	x	1.02	=	$2,557,985
Section 8	$17,099	x	1.02	=	$17,441
Vacant	$111,000	x	1.00	=	$111,000
Unregulated	$0	x	1.00	=	$0
Total	$2,635,927				$2,686,426

Rent Increases Due to Vacancy Turnover

We have also projected that a certain number of currently occupied units will vacate in any given year, affording ownership the 20% vacancy lease increase. We have projected annual turnover of rent stabilized units at 10% for the subject property for upcoming years.

As we have no way of knowing which units will be vacated, we will increase the average rent stabilized by 20% and multiply that number by the number of units expected to vacate in the upcoming year. In Year 1, this is calculated as follows:

Total No. of Rent Stabilized Units:	143
% Units Vacated Per Year:	10%
No. Units Projected to Vacate:	14.3
Projected Rent Stabilized Rent Roll:	$2,557,985
Average Income Per Unit:	$17,888
Allowable Vacancy Increase:	20%
Vacancy Increase Per Unit:	$3,578
Average Increase x No. Units Vacated:	$51,160

We will project an increase of $51,160 over the next year due to vacancy turnover. Future annual increases due to our projected yearly turnover of 10% will be taken into consideration as upside potential in our development of an overall capitalization rate.

Rent Increases Due to MCIs and Apartment Renovations

RENT INCREASE DUE TO MAJOR CAPITAL IMPROVEMENTS

When an owner makes an improvement or installation to a building subject to the rent stabilization or rent control laws, the owner may be permitted to increase the rent based on the actual, verified cost of the improvement or installation.

To qualify as an MCI, the improvement or installation must:

1. be deemed depreciable under the Internal Revenue Code other than for ordinary repairs;
2. be for the operation, preservation and maintenance of the building;
3. directly or indirectly benefit all tenants;
4. to be eligible for a rent increase, the MCI must be a new installation and not a repair to old equipment. Rent increases are computed on a seven-year amortization of the actual cost for work. This rent adjustment is a permanent addition to the legal regulated or maximum rent, and does not expire after the seven year period. The adjustment is based on a per room amount;
5. for rent stabilized apartments in New York City, the rent adjustment collectible in any one year may not exceed 6% of the tenant's rent;
6. The rental increases from MCI's are permanent and extend beyond the seven-year period; and
7. If a property also receives J-51 abatement benefits due to eligible MCI's, the MCI increase is reduced by 50% throughout the J-51 benefit period.

Potential Residential Income

Trended Rent Roll:	$2,686,426
Projected Vacancy Increase:	$51,160
Potential Residential Income:	$2,737,585

Vacancy and Collection Loss

According to the 2005 Housing and Vacancy Survey, Brooklyn's overall residential vacancy rate is 2.78% but it is effectively much lower for occupied rent stabilized properties, particularly those occupied by below-market tenants as is the case with a large portion of the subject units. The directly competitive properties in our market rental survey exhibit occupancy rates of 96% to 100%, averaging 98%. Based on the market occupancy figures, as well as discussions with local brokers, we believe the vacant units will lease shortly after becoming available. Therefore, we have applied a 2% vacancy and collection loss factor for the subject's residential income to the subject's pro forma for the stabilized year.

Parking Income

The subject property contains 105 leasable parking spaces. Of the 105 parking spaces, 55 are covered spaces and 50 are outdoor parking spaces. All of the subject parking spaces are currently leased. It is noted that ownership receives $165 per month for each of the outdoor parking spaces. This results in annual income of $1,980 per space and a total of $99,000 per annum for the outdoor spaces. The covered garage spaces lease for rents ranging from $177.15 to $262.50 per month, with an average of $220 per month. The following comparable leases will assist in determining the reasonableness of the subject's parking facility. The parking comparables are as follows:

SURVEY OF COMPARABLE PARKING LEASES

Comp No.	Address	Rent per Space per Month	Comments
1	689 Marcy Avenue	$180	Indoor
2	343 Himrod Street	$125	Outdoor
3	12 Claver Place	$130	Indoor
4	65 New York Avenue	$160	Indoor
5	893 Dean Street	$200	Indoor
6	395 Flatbush Avenue	$150	Indoor
7	980 Atlantic Avenue	$250	Indoor
8	1 DeKalb Avenue	$200	Indoor
9	37 Driggs Avenue	$167	Outdoor
	Average	$195	

Source: Field Survey, compiled by Leitner Group, Inc.

The comparable parking spaces lease for between $125 and $250 per space per month, with an average of $195 per parking space. The subject spaces are predominantly within the range of comparable leases, with two of the garage leases just above the market range (at $254.10 and $262.50 per month). We have concluded that the subject parking spaces are market oriented and will be utilized in our proforma.

Storage Income

The subject receives income from the leasing of below-grade storage units. The storage units are predominantly rented for between $116 to $360 per space per month. In addition, three larger spaces rent for $1,000, $1,575, and $2,250 per month. The total storage income at the subject property is $9,983 per month, or $119,800 per annum. The tenant storage income will be applied in our proforma.

Laundry Income

The subject owns and operates numerous laundry facilities which are located in the basement of the residential rental buildings. The laundry income from the preceding three years is $60,000, $72,000, and $72,000. This equates to approximately $40 per apartment per month. We will project laundry income of $72,000 per annum for the stabilized year.

Effective Gross Income

Using a vacancy and collection loss factor of 2% for the residential income as well as for the parking, storage, and laundry income, effective gross income is calculated as follows:

Potential Residential Income	$	2,737,585
Parking Garage Income		145,031
Parking Lot Income		99,000
Storage Income		119,800
Laundry Income		72,000
Potential Gross Income	$	3,173,416
Less Residential V/C Loss @ 2%		-63,468
Effective Gross Income	$	3,109,948

Income Summary

The income particulars, which will be used to value the subject, are summarized as follows:

Income:	144 residential apartments, 105 leased parking spaces, 24 leased tenant storage units, laundry facilities owned and operated by property ownership

Landlord Obligations:	Heat, hot water, water and sewer, refuse removal, common area electric and maintenance.
Tenant Obligations:	Individually metered for electric and cooking gas.
Potential Gross Income:	$3,173,416
Vacancy and Collection Loss Factor:	2%
Effective Gross Income:	$3,109,948

OPERATING EXPENSE ANALYSIS

The owner provided the preceding three years of operating expense statements, which we analyzed in conjunction with market-derived operating expenses as a basis for developing operating expense projections. The expense comparables consist of luxury rental apartment buildings similar to the subject in size, age, and quality. The subject's operating expense history and comparable expenses are presented on the following pages and analyzed on an expense per square foot basis.

The forecasted income and operating expense analysis was projected based on stabilized occupancy.

HISTORICAL OPERATING EXPENSES

Operating Expenses	2004	2005	2006	Average
Insurance	$57,000	$57,000	$57,000	$57,000
Electric	$20,000	$20,000	$20,000	$20,000
Fuel	$70,000	$77,795	$70,000	$72,598
Water and Sewer	$25,000	$31,825	$32,000	$29,608
Repairs and Maintenance	$94,843	$110,175	$149,781	$118,266
Payroll	$28,800	$28,800	$28,800	$28,800
Miscellaneous	$0	$0	$0	$0
Replacement Reserves	$0	$0	$0	$0
Management Fees	$56,906	$66,105	$89,869	$70,960
Total Operating Expenses	$352,549	$391,700	$447,450	$397,233

Operating Expenses PSF	2004	2005	2006	Average
Insurance	$0.51	$0.51	$0.51	$0.51
Electric	$0.18	$0.18	$0.18	$0.18
Fuel	$0.62	$0.69	$0.62	$0.65
Water and Sewer	$0.22	$0.28	$0.28	$0.26
Repairs and Maintenance	$0.84	$0.98	$1.33	$1.05
Payroll	$0.26	$0.26	$0.26	$0.26
Miscellaneous	$0.00	$0.00	$0.00	$0.00
Replacement Reserves	$0.00	$0.00	$0.00	$0.00
Management Fees	$0.51	$0.59	$0.80	$0.63
Total Operating Expenses PSF	$3.14	$3.48	$3.98	$3.53

Operating Expenses Per Unit	2004	2005	2006	Average
Insurance	$396	$396	$396	$396
Electric	$139	$139	$139	$139
Fuel	$486	$540	$486	$504
Water and Sewer	$174	$221	$222	$206
Repairs and Maintenance	$659	$765	$1,040	$821
Payroll	$200	$200	$200	$200
Miscellaneous	$0	$0	$0	$0
Replacement Reserves	$0	$0	$0	$0
Management Fees	$395	$459	$624	$493
Total Operating Expenses Per Unit	$2,448	$2,720	$3,107	$2,759

HISTORICAL OPERATING EXPENSE SUMMARY

Historical Expense Summary PSF	Min	Max	Avg
Insurance	$0.51	$0.51	$0.51
Electric	$0.18	$0.18	$0.18
Fuel	$0.62	$0.69	$0.65
Water and Sewer	$0.22	$0.28	$0.26
Repairs and Maintenance	$0.84	$1.33	$1.05
Payroll	$0.26	$0.26	$0.26
Miscellaneous	$0.00	$0.00	$0.00
Replacement Reserves	$0.00	$0.00	$0.00
Management Fees	$0.51	$0.80	$0.63
Total Operating Expenses PSF	$3.14	$3.98	$3.53

Historical Expense Summary Per Unit	Min	Max	Avg
Insurance	$396	$396	$396
Electric	$139	$139	$139
Fuel	$486	$540	$504
Water and Sewer	$174	$222	$206
Repairs and Maintenance	$659	$1,040	$821
Payroll	$200	$200	$200
Miscellaneous	$0	$0	$0
Replacement Reserves	$0	$0	$0
Management Fees	$395	$624	$493
Total Operating Expenses Per Unit	$2,448	$3,107	$2,759

COMPARABLE OPERATING EXPENSES

	379 Washington Avenue	93-99 Lafayette Avenue	295-97 Washington Avenue	400 Herkimer Street	510 Quincy Street	Average
Expense Year	2005	2005	2005	2005	2005	
Stories:	7	10	6	6	6	
SF:	113,924	57,460	57,366	130,950	212,405	
Units:	86	78	72	154	192	
Operating Expenses						
Insurance	$54,396	$46,329	$38,789	$67,452	$138,803	$69,154
Fuel	115,572	44,034	76,576	68,712	165,272	$94,033
Utilities	31,878	18,618	15,358	43,279	94,304	$40,687
Water & Sewer	33,228	29,651	19,806	60,054	5,688	$29,685
Repairs & Maintenance	96,699	46,877	164,441	203,878	144,151	$131,209
Payroll	109,426	71,445	48,380	174,549	309,700	$142,700
Replacement Reserves	0	0	0	0	0	$0
Miscellaneous	55,007	58,561	500	100,971	408,022	$124,612
Management Fees	103,351	31,600	45,045	87,840	287,032	$110,974
Total Operating Expenses	$599,557	$347,115	$408,895	$806,735	$1,552,972	$743,055
Operating Expenses PSF						
Insurance	$0.48	$0.81	$0.68	$0.52	$0.65	$0.63
Fuel	$1.01	$0.77	$1.33	$0.52	$0.78	$0.88
Utilities	$0.28	$0.32	$0.27	$0.33	$0.44	$0.33
Water & Sewer	$0.29	$0.52	$0.35	$0.46	$0.03	$0.33
Repairs & Maintenance	$0.85	$0.82	$2.87	$1.56	$0.68	$1.35
Payroll	$0.96	$1.24	$0.84	$1.33	$1.46	$1.17
Replacement Reserves	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Miscellaneous	$0.48	$1.02	$0.01	$0.77	$1.92	$0.84
Management Fees	$0.91	$0.55	$0.79	$0.67	$1.35	$0.85
Total Operating Expenses	$5.26	$6.04	$7.13	$6.16	$7.31	$6.38
Operating Expenses Per Unit						
Insurance	$633	$594	$539	$438	$723	$585
Fuel	$1,344	$565	$1,064	$446	$861	$856
Utilities	$371	$239	$213	$281	$491	$319
Water & Sewer	$386	$380	$275	$390	$30	$292
Repairs & Maintenance	$1,124	$601	$2,284	$1,324	$751	$1,217
Payroll	$1,272	$916	$672	$1,133	$1,613	$1,121
Replacement Reserves	$0	$0	$0	$0	$0	$0
Miscellaneous	$640	$751	$7	$656	$2,125	$836
Management Fees	$1,202	$405	$626	$570	$1,495	$860
Total Operating Expenses	$6,972	$4,450	$5,679	$5,239	$8,088	$6,086

Estimated Operating Expenses

The following expense pro forma for the subject property is based on operating projections effective over the next twelve months. Expenses were based on a stabilized occupancy assumption. The following is a summary of our expense estimates as applied to the subject property.

Real Estate Taxes - $389,049 per year; $3.46 psf

The real estate tax payment is estimated at $389,049 or $3.49 per square foot of gross building area. This tax bill is comparable to other similar properties in the area (see the "Assessed Value and Real Estate Taxes" section).

Insurance - $26,202 per year; $0.50 psf

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. The historical insurance expenses were $0.51 per square foot. The comparable insurance expenses ranged from $0.48 to $0.81 per square foot, with an average of $0.63 per square foot. We have selected an insurance amount of $0.50 per square foot, in line with property historicals. This equates to $56,202 per annum or $390 per unit.

Source	Projection	Low	High	Average
Historicals		$0.51	$0.51	$0.51
Comparables		$0.49	$1.05	$0.66
Appraiser	$0.50			

Electric - $22,481 per year; $0.20 psf

Tenants are typically individually metered for electric usage, and the owner would only be responsible for common area space. The historicals were $0.18 per square foot for the electricity and gas expense. The comparables ranged from $0.27 to $0.43 per square foot, with an average of $0.33 per square foot. The appraisers estimate the subject's common electric and gas costs at $0.20 per square foot, in line with the historicals, amounting to an annual cost of $22,481.

Source	Projection	Low	High	Average
Historicals		$0.18	$0.18	$0.18
Comparables		$0.20	$0.49	$0.32
Appraiser	$0.20			

Fuel - $76,435 per year; $0.68 psf

The subject property uses gas for both heat and hot water. The historical fuel expense ranged from $0.62 to $0.69 per square foot, with an average of $0.65. Comparable expenses range from $0.52 to $1.33, with an average of $0.88. Considering the historical fuel expense, heating costs will be projected at $0.68 per square foot of gross building area for the coming year, or $76,435 per year.

Source	Projection	Low	High	Average
Historicals		$0.62	$0.69	$0.65
Comparables		$0.52	$1.33	$0.88
Appraiser	$0.68			

Water and Sewer - $32,400 per year; $225 per unit

This historical water and sewer expense ranged from $174 to $222 per unit, with an average of $206. The comparable expenses for water and sewer range from $30 to $390 per unit, averaging $292. This expense item will be estimated at $400 per unit, in line with the ownership estimate, which amounts to an annual cost of $32,400.

Source	Projection	Low	High	Average
Historicals		$174	$222	$206
Comparables		$30	$390	$292
Appraiser	$225			

Payroll - $30,000 per year; $0.27 psf

Payroll costs will cover an annual salary for a full-time superintendent whose duties will include trash removal, common area cleaning, and general maintenance. In addition, the subject property will employ one porters. It is noted that both of the employees of the property receive a apartment unit, rent free. The historical expenses were $0.26 per square foot. The comparable expenses range from $0.84 to $1.33, a wide range reflecting the various staffing needs of the comparable properties. In addition, many properties will lease an apartment unit to building staff at no charge. For the upcoming year, we will project a payroll cost of $30,000 per annum for the subject, in line with ownership estimates. This amount on a per square foot basis is equivalent to $0.27 per square foot which is well-below the comparables but reasonable considering both employees occupy a residential unit rent free .

Source	Projection	Low	High	Average
Historicals		$0.26	$0.26	$0.26
Comparables		$0.84	$1.33	$1.17
Appraiser	$0.27			

Repairs and Maintenance - $118,024 per year; $1.05 psf

This expense varies depending on building age, management philosophy, services provided, and accounting methodology. Some management companies expense items which are normally included as capital costs. In addition, repair and maintenance costs may change from year to year; in some cases, repairs that require attention may be postponed due to cash flow considerations. The historicals range from $0.84 to $1.33, with an average of $1.05. The comparables range is from $0.68 to $2.87 per square foot, with an average of $1.35. We estimate this expense at $1.05 per square foot of gross building area, in line with the historicals and comparables, which amounts to $118,024.

Source	Projection	Low	High	Average
Historicals		$0.84	$1.33	$1.05
Comparables		$0.68	$2.87	$1.35
Appraiser	$1.05			

Structural Repairs (Reserves) - $12,150 per year; $150 per unit

The owner did not provide an estimate for this expense. This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. The comparables did not provide data for this expense. Due to the recent renovation of the majority of the subject's units, this expense has been estimated at $150 per unit, or an amount of $12,150 per annum.

Source	Projection	Low	High	Average
Historicals	N/A			
Comparables		N/A	N/A	N/A
Appraiser	$150			

Miscellaneous - $28,101 per year; $0.25 psf

The expense allows for any expenditure not included in the above categories of expenses including permits and dues, miscellaneous repairs, equipment rental, exterminating, rubbish removal, legal and advertising, etc. The historicals did not contain a miscellaneous expense line item. The comparable expenses range from $0.48 to $1.92, with an average of $0.84. Due to differences in accounting methodologies, and considering we have projected separate expense categories for many items which the comparables have included in the miscellaneous category, we will conclude with a miscellaneous expense projection below the comparable range of $0.25 per square foot, or $28,101 per year.

Source	Projection	Low	High	Average
Historicals	N/A			
Comparables		$0.48	$1.92	$0.84
Appraiser	$0.25			

Management - $93,298 per year; $0.81 psf

Typically, management fees for smaller residential properties range from 2% to 5% of effective gross income. The subject is a medium sized property with 144 units. Therefore, the appraisers applied a management fee of 3.0% of effective gross income. This factor results in a management cost of $0.83 per square foot of gross building area. The historicals contain a management fee ranging from $0.51 to $0.80 per square foot, which is in line with our management projection. Comparable expenses range from $0.55 to $1.31, with an average of $0.85. Our projection is in line with the comparables as well and is therefore considered reasonable.

Source	Projection	Low	High	Average
Historicals		$0.51	$0.80	$0.63
Comparables		$0.55	$1.31	$0.85
Appraiser	$0.81			

Estimated Expenses for the Current Year

Operating Expenses			
Real Estate Taxes	$389,049	$3.46	$2,702
Insurance	$56,202	$0.50	$390
Electric	$22,481	$0.20	$156
Fuel	$76,435	$0.68	$531
Water and Sewer	$32,400	$0.29	$225
Repairs and Maintenance	$118,024	$1.05	$820
Payroll	$30,000	$0.27	$208
Replacement Reserves	$21,600	$0.19	$150
Miscellaneous	$28,101	$0.25	$195
Management Fees	$93,298	$0.83	$648
Total Operating Expenses	$867,590	$7.72	$6,025
Total Expenses Excluding RE Taxes	$478,541	$4.26	$3,323

Total Operating Expenses

Operating expenses exclusive of real estate taxes were estimated at $4.26 per square foot of gross building area. Excluding real estate taxes the comparables ranged from $5.26 to $7.13 per square foot, with an average of $6.38. The historical expenses ranged from $3.14 to $3.98 per square foot. Our projection is below the comparable range, which is due predominantly to the small payroll expense at the subject due to the two free units leased to employees. Overall, our estimate is considered reasonable, in line with property historicals, and will be applied.

Stabilized Income and Expenses

Income	Whole Dollar	PSF	Per Unit
Potential Residential Income	$2,737,585	$24.35	$19,011
Parking Garage Income	$145,031	$1.29	$1,007
Parking Lot Income	$99,000	$0.88	$688
Retail Reimbursement	$119,800	$1.07	$832
Laundry Income	$72,000	$0.64	$500
Potential Gross Income	$3,173,416	$28.23	$22,038
Less Residential V/C Loss @ 2%	(63,468.33)	(0.56)	(440.75)
Effective Gross Income	$3,109,948	$27.67	$21,597
Operating Expenses			
Real Estate Taxes	$389,049	$3.46	$2,702
Insurance	$56,202	$0.50	$390
Electric	$22,481	$0.20	$156
Fuel	$76,435	$0.68	$531
Water and Sewer	$32,400	$0.29	$225
Repairs and Maintenance	$118,024	$1.05	$820
Payroll	$30,000	$0.27	$208
Replacement Reserves	$21,600	$0.19	$150
Miscellaneous	$28,101	$0.25	$195
Management Fees	$93,298	$0.83	$648
Total Operating Expenses	$867,590	$7.72	$6,025
Total Expenses Excluding RE Taxes	$478,541	$4.26	$3,323
Net Operating Income	$2,242,358	$19.95	$15,572
Operating Expense Ratio	28%		

INCOME CAPITALIZATION

The method of capitalization employed in this report is the mortgage-equity technique commonly referred to as the Akerson formula of the Ellwood method. This technique considers the return of equity including any potential appreciation or depreciation in property value over the income projection period as well as the affects of financing through mortgage amortization and equity benefits. The following criteria were used to determine the capitalization rate for the subject property.

Financing	Lending institutions typically lend at a 70% to 80% loan to value ratio. Interest rates, in a recent period of time, ranged from 5.5% to 7.0% with loan terms at ten years with 25- to 30-year payout schedules. Discussions with market participants indicate that mortgage interest rates are typically based upon spreads over the 10-year treasury rates. On the date of value, 10-year Treasury rates were 4.94%. The typical spread for apartment buildings is 97 to 118 basis points, suggesting interest rates of 5.91% to 6.12%. We have selected a 75% loan to value ratio, a 6.25% interest rate, and a 30-year payout. The mortgage constant is 7.39%.
Holding Period	Most investors/purchasers intend to hold a property for a period that typically ranges from five to twenty years. We have selected a period of 10 years.
Equity Yield	This is a competitive rate of return reflecting the inherent risks, illiquidity, potential benefits, and availability of tax shelter of property ownership relative to prospective rates of return for alternative investment opportunities.

Typical investors require a rate of return for investment quality property such as the subject which is greater than the safe or "riskless" rates offered for long-term treasury notes and bonds or high-grade corporate bonds. The difference between an investor's required rate of return and the safe rate is basically the premium necessary to compensate the investor for the added risks of inflation, management, and lack of liquidity offered by a real estate investment. The following rates have been used as market indicators (Federal Reserve Statistical Release Web Site, January 2, 2007):

KEY RATES

Federal Funds Rate	5.25%
Prime Rate	8.25%
10-year Treasury Notes	4.48%
20-year Treasury Bond	4.69%
30-year Treasury Bond	4.60%
20–year Municipal Bonds (AAA)	4.03%
20-year Corporate Bonds (AAA)	5.24%

Source: Federal Reserve Statistical Website; January 2, 2007 Release Date

- The Federal Funds Rate is a foundational rate determining the cost of funds by Federal Reserve banks to depository institutions.
- The Prime Rate is a base rate posted by large banks for loans to corporations. It is a rate for business loans to banks' most creditworthy customers. It is no longer a lending rate, per se but a base rate, from which other rates are adjusted.
- The 10- and the 30-year Treasury Bonds are long-term obligations that are guaranteed by the federal government.
- Corporate Bonds with Aaa credit exhibit a minimal amount of risk.
- Municipal Bonds are free of tax liabilities and, therefore, the return is typically less than investment opportunities which are taxable.

Another source of anticipatory yield rates is provided by the Real Estate Research Corporation's (R.E.R.C.) and Korpacz Real Estate investment survey which summarize expected rates of return, including capitalization rates and income and expense growth rates, from a representative sample of institutional investors. The rates reflect acceptable expectations of yields desired by investors currently in the marketplace.

Survey	Type of Product	Discount Rate (IRR)
Korpacz	Apartment	6.00% to 12.50%
Third Quarter 2006		8.48% average
R.E.R.C.	Apartment	7.30% to 10.00%
Fall 2006		8.20%

For investment grade residential properties, the real estate investment surveys range from 6.00% to 12.50% with an average discount rate of 8.20% to 8.48%. We have selected a rate of 7.50% which is towards the lower to middle of the investor survey range but acceptable given the subject's New York City location and rent regulated status. We have added 150 basis points to reflect the additional risk present in the equity portion of the property. This produces an equity yield rate of 9.00%.

Change in Value	The subject property has a moderate amount of below-market rents due to the restricted rent of the New York City rent regulatation laws. Over the holding period, as units turn over (projected at 10% of units per year), ownership achieve significant rent increases in the form of increased base rent. Due to these projected increases in rent roll over the holding period, we project a 25% increase in value over the holding period.

Using these components, calculation of the capitalization rate is presented below:

CAPITALIZATION RATE CALCULATION

Assumptions Underlying Capitalization Rate Development							
Loan to value ratio					75%		
Interest Rate					6.25%		
Term (years payout)					30		
Annual Constant					7.39%		
Equity Yield Rate					9.00%		
Holding Period					10		
Appreciation Over Term					25%		
Development of Capitalization Rate							
Mortgage Funds	0.75	x	0.0739			=	0.0554
Equity Funds	0.25	x	0.0900			=	0.0225
Weighted Rate							0.0779
Less Adjustment for Mortgage Amortization							
	0.1576	x	0.75	x	0.0658	=	0.0078
Basic Rate							0.0701
Less Adjustment for Appreciation							
	0.25	x	0.0658			=	0.0165
Capitalization Rate							0.0536
(rounded to)							5.25%

The Ellwood method of developing an overall capitalization rate suggests a rate of 5.25%.

Comparable Overall Rates

The comparable sales used in our Sales Comparison Approach for individual apartment buildings exhibited overall rates as follows:

Sale	Sale Date	Sale Price	Cap Rate
1	12/06	$6,080,000	5.29%
3	05/06	$13,250,000	5.82%
4	04/06	$13,600,000	5.00%
5	08/05	$5,650,000	5.19%
	Average		5.33%

The individual comparable sales used in our "Sales Comparison Approach" exhibit overall capitalization rates from 5.00 to 5.82%, averaging 5.33%. The comparable sales are subject to rent regulation and were therefore purchased for their below-market rent and upside potential, which is also evident at the subject. Similarly, all of the subject property's occupied units exhibit below-market rents due to rent regulation. The subject's upside potential is somewhat tempered by the market rate rent currently achieved by a portion of the subject's units. These income characteristics are appropriately reflected in a developed capitalization rate at the middle of the comparable range.

Additional rates of return are indicted by the investor surveys in the following table:

Survey	Overall Cap Rate
Korpacz	4.25% to 8.00%
Third Quarter 2006	5.98% average
R.E.R.C.	5.00% to 8.00%
Fall 2006	6.30% average
Local Comparable Sales	5.00% to 5.82%
Developed Rate	5.25%
January 2007	

The Korpacz and Real Estate Research Corporation's investment surveys summarize going-in capitalization rates. These rates are a representative sample of institutional investors. The rates reflect acceptable expectations desired by investors currently in the marketplace.

As indicated in the investment surveys, the going-in capitalization rates range from 4.25% to 8.00% for institutional quality investments.

Capitalization Rate Conclusion

The Ellwood method suggests an overall capitalization rate of 5.25%. This is at the low end of the range exhibited by the investor surveys but directly supported by comparable sales of similar properties in the subject's market. This is appropriate considering the upside at the subject

property based on rent increases in future years as apartments turn over. The investor surveys do not implicitly consider the unique New York City market with a multitude of properties sold with considerable upside potential due to rent regulation. Considering that the subject is leased below market rents for many of its units with strong potential for future increases, we have applied a 5.25% overall capitalization rate to estimate the value indicator via the Income Approach.

CALCULATION OF VALUE – AS COMPLETED AND STABILIZED

NOI	÷	Overall Rate	=	Value Indication	Rounded
$2,242,358	÷	5.25%	=	$42,711,578	$42,700,000

Therefore, the indicator of value of the subject property via the Income Capitalization Approach is $42,700,000.

VALUE VIA THE INCOME APPROACH – AS IS
$42,700,000

THE SALES COMPARISON APPROACH

"In the Sales Comparison Approach, market value is estimated by comparing the subject property to similar properties that have been sold recently or for which offers to purchase have been made. A major premise of the sales comparison approach is that the market value of a property is directly related to the prices of comparable, competitive properties."[3]

The Sales Comparison Approach is based on the principle of substitution. This principle implies that a knowledgeable investor will pay no more for a property than the price that would be paid for a substitute property of similar utility and desirability. The procedure involved in this approach is to research the market for sales of properties which are comparable to the subject, select appropriate units of comparison, adjust the sale prices to the subject, and then reconcile the range of adjusted sale prices into a single indication of value for the subject property.

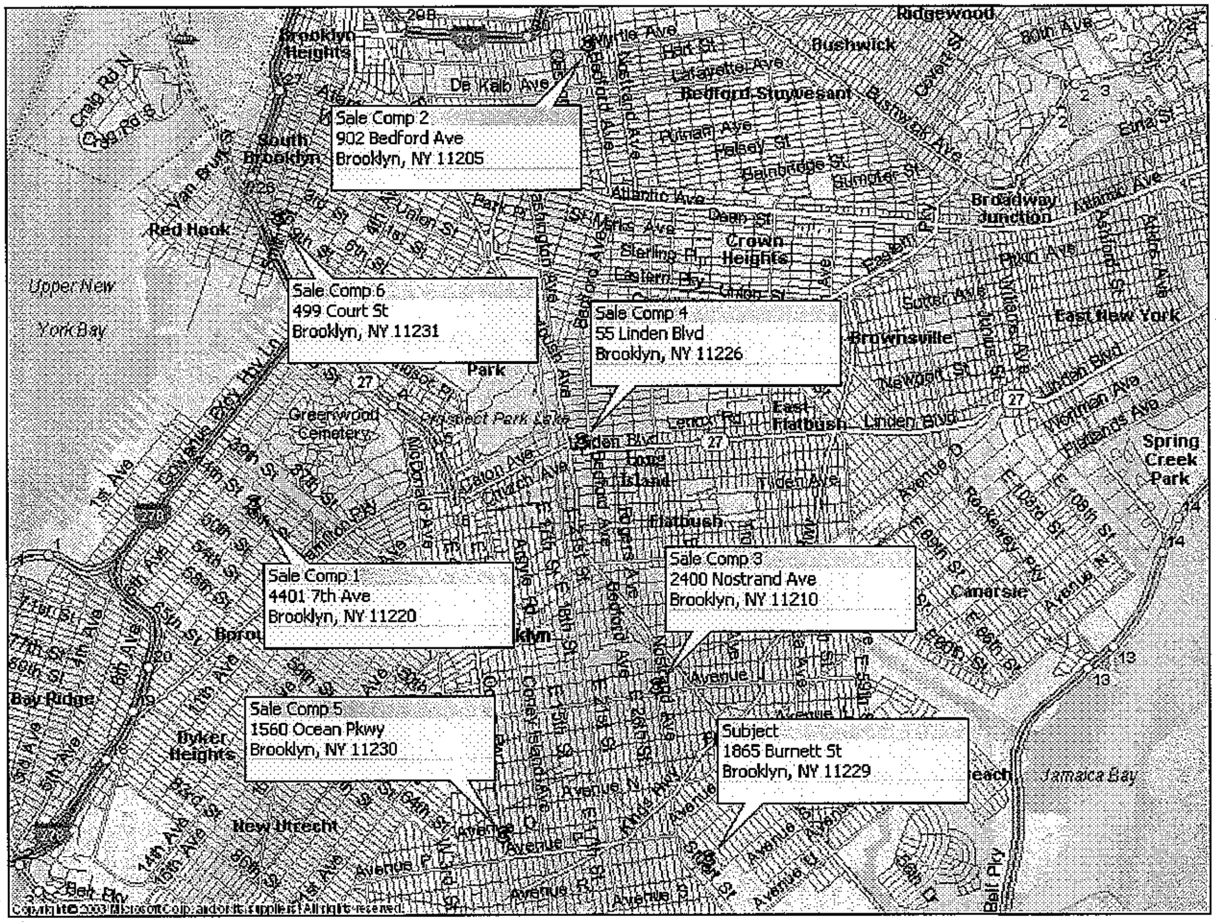
Unit of Comparison

In order to evaluate the comparable sales, it is generally necessary to convert the sales prices to an appropriate unit of comparison. This process facilitates price comparisons between properties of different sizes, and it also enables the appraiser to adjust for qualitative differences. The comparable sales will be analyzed on the basis of price per unit, the unit of comparison most commonly used to analyze sales of residential buildings in the subject's market area. Sales of garden apartment properties in Brooklyn have been scarce over the past several years. The appraisers, therefore, expanded the scope of research to include apartment buildings throughout Brooklyn. This submarket is similar to the subject's location from a demographic and socioeconomic standpoint.

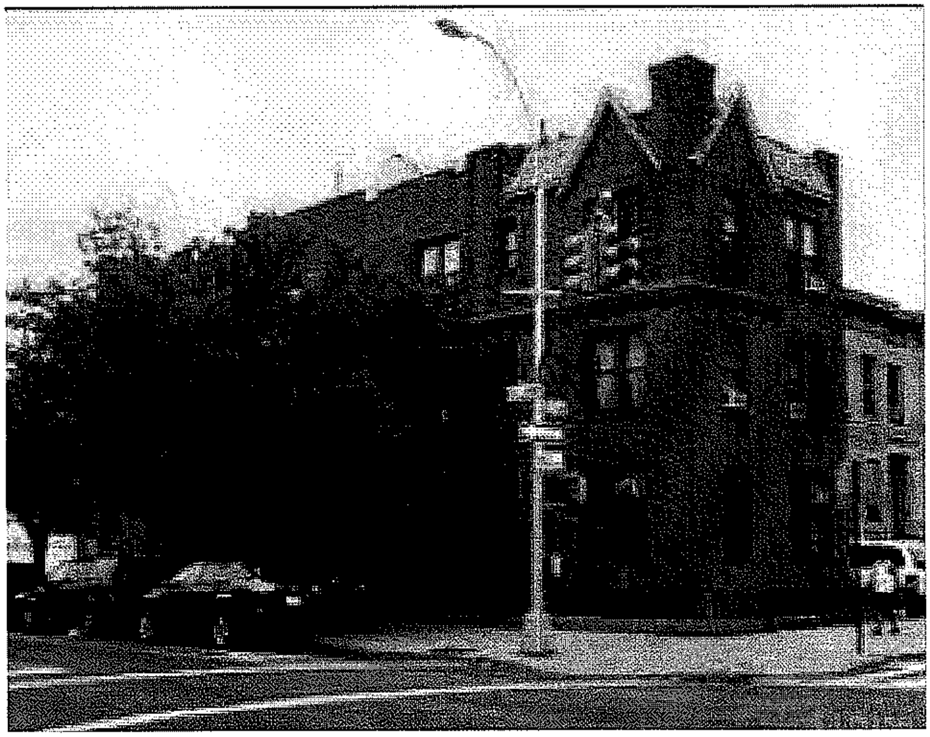
Six residential sales are described on the following pages, along with a picture of each sale and a map of the sales' locations.

[3] *The Appraisal of Real Estate, Appraisal Institute, 11th Edition, 1996, page 397*

COMPARABLE SALES MAP



COMPARABLE SALE NO. 1
4401 7TH AVENUE



COMPARABLE SALE NO. 1	
Address:	4401 7th Avenue Brooklyn, New York
Block/Lot:	741/6
Property Description:	A 54 unit, 6-story elevatored residential apartment building. The property was built in 1975 and contains a gross building area of 54,770 square feet. Unit types are one and two-bedroom units.
Gross Building Area (SF):	54,770 square feet
Site Area (SF):	12,023
Number of Units:	54
Grantor:	KMT Realty, Corp.
Grantee:	4401 Sunset Park, LLC
Sale Date:	December 19, 2006
Reel/Page:	2007000011553
Sale Price:	$6,080,000
Price Per Unit:	$112,593
Price Per Square Foot:	$111
Effective Gross Income:	$622,917
EGIM:	9.76
Average Monthly Income Per Unit:	$961
Operating Expenses:	$239,660
Operating Expense Ratio:	38.47%
Net Operating Income:	$383,257
Capitalization Rate:	5.29%
Terms:	Market

COMPARABLE SALE NO. 2
902-908 BEDFORD AVENUE

COMPARABLE SALE NO. 2	
Address:	902-908 Bedford Avenue Brooklyn, New York
Block/Lot:	1914/35, 36, 135
Property Description:	A 36 unit, 9-story elevatored residential apartment building. The property was built in 2004 and contains a gross building area of 52,000 square feet.
Gross Building Area (SF):	52,000 square feet
Site Area (SF):	10,018
Number of Units:	36
Grantor:	902-908 Bedford Avenue, LLC
Grantee:	African-American Parent Council, Inc.
Sale Date:	May 15, 2006
Reel/Page:	2006000603150
Sale Price:	$15,412,500
Price Per Unit:	$428,125
Price Per Square Foot:	$296
Effective Gross Income:	N/A
EGIM:	N/A
Average Monthly Income Per Unit:	N/A
Operating Expenses:	N/A
Operating Expense Ratio:	N/A
Net Operating Income:	N/A
Capitalization Rate:	N/A
Terms:	Market

COMPARABLE SALE NO. 3
430-438 WEST 41ST STREET

COMPARABLE SALE NO. 3	
Address:	2400-2434 Nostrand Avenue Brooklyn, New York
Block/Lot:	7611/54
Property Description:	A 6-story, 133 unit residential rental apartment buiding. This elevatored property was built in 1955 and contains a gross building area of 146,699 square feet. The property includes 36 covered parking spaces.
Gross Building Area (SF):	146,699
Site Area (SF):	33,585
Number of Units:	133
Grantor:	2400 Nostrand Avenue Associates, LLC
Grantee:	2400 Realty NY, LLC (Pinnacle Group)
Sale Date:	May 1, 2006
Reel/Page:	2006000260511
Sale Price:	$13,250,000
Price Per Unit:	$99,624
Price Per Square Foot:	$90.32
Effective Gross Income:	$1,332,257
EGIM:	9.94
Average Monthly Income Per Unit:	$835
Operating Expenses:	$494,129
Operating Expense Ratio:	37.09%
Net Operating Income:	$771,194
Capitalization Rate:	5.82%
Terms:	Market

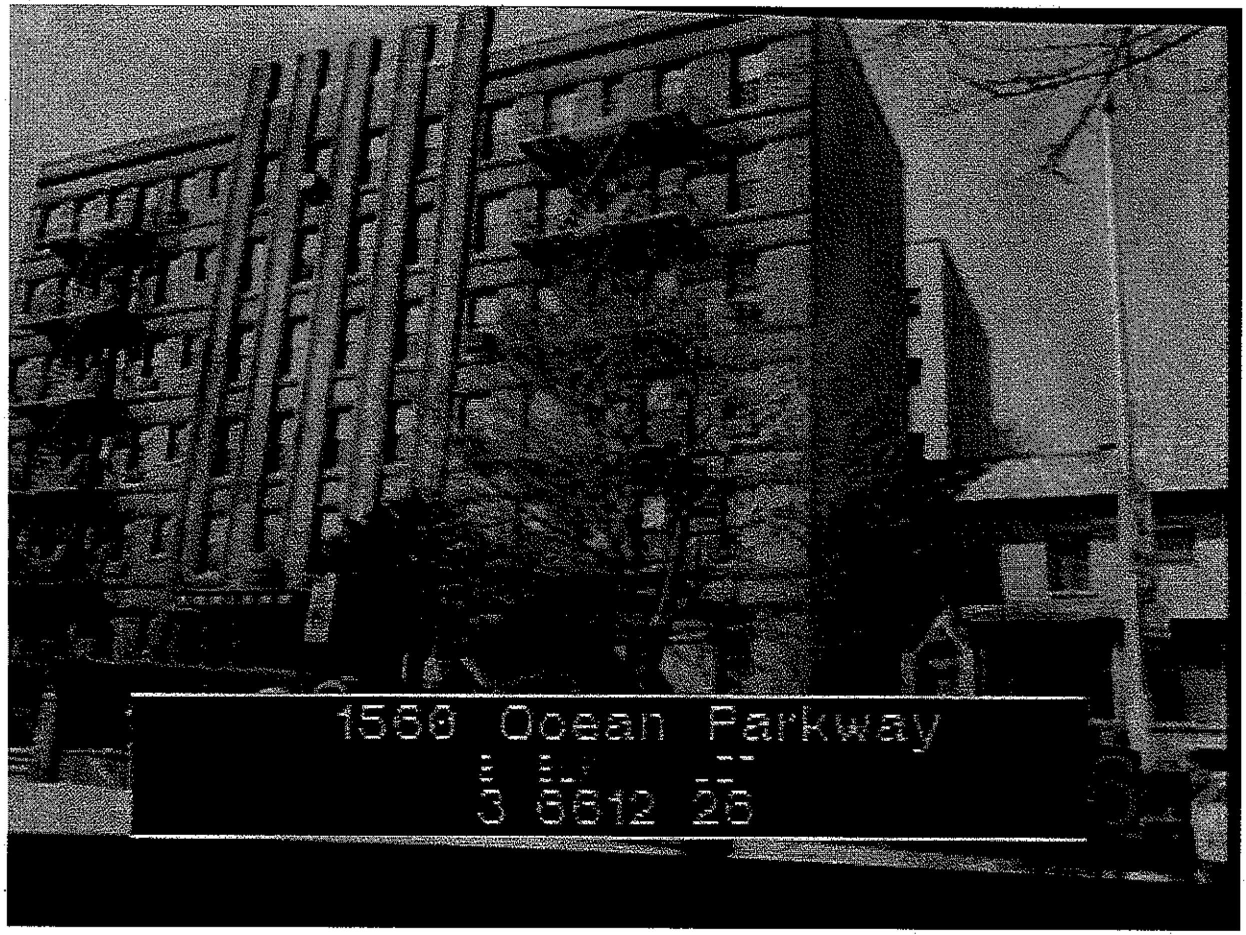
COMPARABLE SALE NO. 4
45 LINDEN BOULEVARD AND 55 LINDEN BOULEVARD

45 LINDEN BOULEVARD

55 LINDEN BOULEVARD

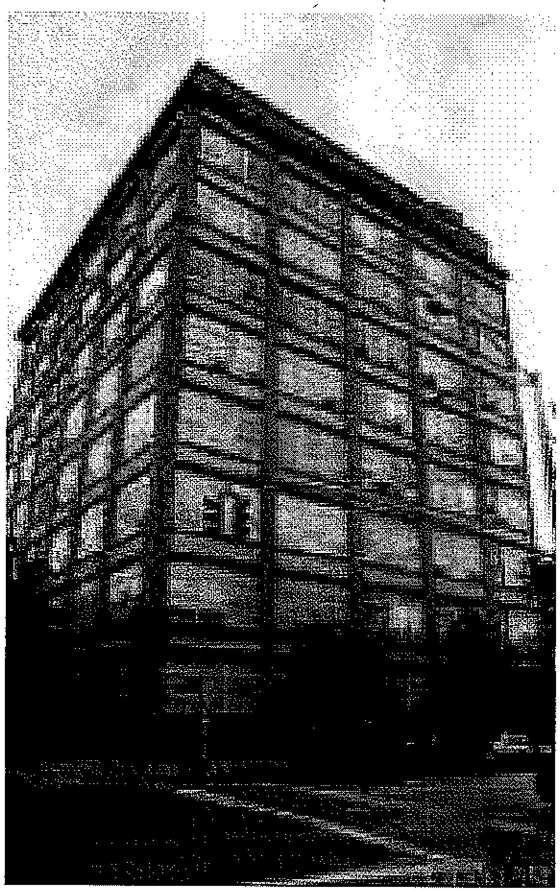
COMPARABLE SALE NO. 4	
Address:	45 Linden Boulevard/55 Linden Boulevard New York, New York
Block/Lot:	5083/71 and 5083/86
Property Description:	Two, 6-story elevatored residential apartment buildings containing a total of 160 units. The total gross building area is 196,595 square feet. The property contains 11 studio units, 32 one-bedroom units, 97 two-bedroom units, 10 three-bedroom units, and 10 four-bedroom units. It is noted that the majority of the apartments have been renovated including brand new kitchens. Also the elevators are new or refurbished and the heating system has been upgraded. The properties were constructed in 1936.
Gross Building Area (SF):	196,595
Site Area (SF):	1.02 acres (44,431 square feet)
Number of Units:	160
Grantor:	Derose Holdings, LLC
Grantee:	45 Linden LLC and 55 Linden LLC
Sale Date:	April 6, 2006
Reel/Page:	2006000243936
Sale Price:	$13,600,000
Price Per Unit:	$85,000
Price Per Square Foot:	$69.30
Effective Gross Income:	$1,586,317
EGIM:	8.57
Average Monthly Income Per Unit:	$827
Operating Expenses:	$806,392
Operating Expense Ratio:	50.83%
Net Operating Income:	$779,925
Capitalization Rate:	5.00%
Terms:	Market

COMPARABLE SALE NO. 5
1560 OCEAN PARKWAY



COMPARABLE SALE NO. 5	
Address:	1560 Ocean Parkway New York, New York
Block/Lot:	6612/26
Property Description:	A 6-story elevatored apartment building with 59 units and 60,350 square feet of gross building area. The property was constructed in 1931.
Gross Building Area (SF):	60,350
Site Area (SF):	16,848
Number of Units:	59
Grantor:	Schon Family Trust
Grantee:	Park Builders, LLC
Sale Date:	August 29, 2005
Reel/Page:	2005000576124
Sale Price:	$5,650,000
Price Per Unit:	$95,763
Price Per Square Foot:	$93.62
Effective Gross Income:	$470,000
EGIM:	12.02
Average Monthly Income Per Unit:	$664
Operating Expenses:	$157,920
Operating Expense Ratio:	33.60%
Net Operating Income:	$293,280
Capitalization Rate:	5.19%
Terms:	Market

COMPARABLE SALE NO. 6
499-505 COURT STREET



COMPARABLE SALE NO. 6	
Address:	499-505 Court Street New York, New York
Block/Lot:	476/6
Property Description:	A 10-story elevatored apartment building with 144 units and 199,000 square feet of gross building area. The property was constructed in 1920.
Gross Building Area (SF):	199,000
Site Area (SF):	37,192
Number of Units:	144
Grantor:	AP Court Street, LLC
Grantee:	Court Lofts, LLC
Sale Date:	April 15, 2005
Reel/Page:	2005000248637
Sale Price:	$58,000,000
Price Per Unit:	$467,742
Price Per Square Foot:	$291
Effective Gross Income:	N/A
EGIM:	N/A
Average Monthly Income Per Unit:	N/A
Operating Expenses:	N/A
Operating Expense Ratio:	N/A
Net Operating Income:	N/A
Capitalization Rate:	N/A
Terms:	Market

SUMMARY OF COMPARABLE SALES

#	Address	Sale Date	Sale Price	GBA	Price per Unit	EGI Per Unit
1	4401 7th Avenue	12/19/06	$6,080,000	54,770	$112,593	$11,536
2	902-908 Bedford Avenue	5/15/06	$15,412,500	52,000	$428,125	-
3	2400-2434 Nostrand Avenue	5/1/06	$13,250,000	146,699	$99,624	$10,016
4	45 Linden Blvd./55 Linen Boulevard	4/6/06	$13,600,000	196,595	$85,000	$9,914
5	1560 Ocean Parkway	8/29/05	$5,650,000	60,350	$95,763	$7,966
6	499-505 Court Street	4/15/05	$58,000,000	199,000	$467,742	-

Adjustments

Adjustments for the comparable sales have been considered, based on comparison to the subject, for financing terms, conditions of sale, market conditions (time), location, size, utility, rent level and condition.

Adjustments to the comparable sales have been considered based on comparison to the subject for property rights, financing terms, conditions of sale, market conditions (time), location, size, income level, utility, and condition.

Property Rights Appraised	The purpose of this adjustment is to account for differences in the property rights which were transferred with the sale. The property rights being valued in this land analysis are leased fee interest for the subject. Since all of the comparable properties have fee simple or leased ownership interests, no adjustments were required.
Financing	The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparable sales in accordance with the definition of market value for this report. All of the sales were cash transactions or financed at market rates. No adjustments were required.
Conditions of Sale	Conditions of sale refers to the motivations of the buyer and seller involved in a particular transaction. All sales appear to be arm's length transactions and did not require adjustments.
Market Conditions (Time)	The comparable sales occurred in 2005 and 2006. Residential properties in Brooklyn have remained fairly stable in price over this time period. Therefore, we will not adjust these sales for time.

Location	The subject property is located in Southern Brooklyn, in close proximity to Marine Park. While the comparables are situated in locations of varying desirability, we are adjusting for EGI and therefore income levels. It is our belief that locational differences are reflected in the varying income levels of the properties. It is noted that we do not have income information for comparables 2 and 6. These sales are located in superior locations of North Brooklyn and will be adjusted downward.
Size	This adjustment accounts for the difference in size between each of the comparables and the subject property. In general, smaller buildings tend to sell for larger amounts per unit than do larger buildings. The subject contains 144 units. The comparables range in size from 36 to 160 units. We will adjust the comparables with less than 75 units downward to account for their smaller size.

EGI Level

Residential buildings often have substantial differences in effective gross income levels, even when their physical and locational features are similar. These differences are mainly attributable to each property's unique occupancy history and the effects of rent regulation.

To account for differences in income levels, the comparable sales have been adjusted according to their EGI. The subject's EGI is projected at $3,109,948, or approximately $21,597 per square foot. Each sale property's EGI and the resulting adjustment is summarized as follows (it is noted that we do not have income levels for a portion of the comparables; these sales will not be adjusted for income):

Sale	EGI per Unit	Adjustment
1	$11,536	240%
2	-	-
3	$10,016	300%
4	$9,914	340%
5	$7,966	360%
6	-	-

We emphasize that these adjustments are approximations and are not intended to represent exact dollar for dollar adjustments.

Utility

This adjustment accounts for such factors as building height, layout, exterior appeal, frontage, the existence of elevators and the interior design of each comparable. The subject is a walkup property while each of the comparables have elevators. This factor is not overly significant, given the fact that the subject is only two stories in height. Therefore, we will not adjust the comparables for utility.

Age Condition	The subject was observed to be in very good condition and is well maintained. The units undergoing renovation will be in excellent condition at the completion of construction. Comparables 4 and 6 were reportedly in very good condition at the time of sale as well. The remaining sales were sold in average to good condition, and will be adjusted upward to account for their inferior condition.

BUILDING SALES ADJUSTMENT GRID

VALUATION DATE:	**1/23/2007**					
Sale No.	**1**	**2**	**3**	**4**	**5**	**6**
ADDRESS:	4401 7th Avenue	902-908 Bedford Avenue	2400-2434 Nostrand Avenue	45, 55 Linden Boulevard	1560 Ocean Parkway	499-505 Court Street
SALE DATE:	12/19/2006	5/15/2006	5/1/2006	4/6/2006	8/29/2005	4/15/2005
# OF UNITS	54	36	133	160	59	144
SALE PRICE:	$6,080,000	$15,412,500	$13,250,000	$13,600,000	$5,650,000	$58,000,000
SALE PRICE PER UNIT:	**$112,593**	**$428,125**	**$99,624**	**$85,000**	**$95,763**	**$402,778**
PROPERTY RIGHTS:	0%	0%	0%	0%	0%	0%
FINANCING TERMS:	0%	0%	0%	0%	0%	0%
CONDITIONS OF SALE:	0%	0%	0%	0%	0%	0%
TIME ADJUSTMENTS:	0%	0%	0%	0%	0%	0%
TRENDED PRICE PER UNIT:	**$112,593**	**$428,125**	**$99,624**	**$85,000**	**$95,763**	**$402,778**
LOCATION:	0%	-20%	0%	0%	0%	-20%
SIZE:	-5%	-10%	0%	0%	-5%	0%
INCOME ADJUSTMENT:	140%	0%	170%	170%	230%	0%
CONDITION:	10%	10%	10%	0%	10%	0%
UTILITY:	0%	0%	0%	10%	0%	0%
TOTAL ADJUSTMENTS:	**145%**	**-20%**	**180%**	**180%**	**235%**	**-20%**
ADJUSTED PRICE PER UNIT:	**$275,852**	**$342,500**	**$278,947**	**$238,000**	**$320,805**	**$322,222**

	UNADJUSTED	ADJUSTED
LOW	**$85,000**	**$238,000**
HIGH	**$428,125**	**$342,500**
AVERAGE	**$203,980**	**$296,388**
MEDIAN	**$106,108**	**$299,876**

All adjustments are percentages. A positive adjustment indicates an inferior characteristic to the subject. A negative adjustment indicates a superior characteristic to the subject.

Before adjustments, the comparable sales show a price range from $85,000 to $428,125 per unit. After adjustments, the comparable sales show a range of $238,000 to $342,500 per unit with an average of $296,388 and a median of $299,876.

Considering the very good condition of the subject in close proximity to Marine Park, we have concluded to a sales price of $300,000 per unit or an indicator of value of $43,200,000 (rd).

$300,000 PER UNIT X 144 UNITS = $43,200,000
$43,200,000(RD)

EFFECTIVE GROSS INCOME MULTIPLIER ANALYSIS

We have obtained rental data for the comparable sales used in this section in order to derive effective gross income multipliers (EGIM's). Effective gross income multipliers are frequently used units of comparison which are especially popular with investors in residential apartment buildings. In order to obtain a value estimate through the use of an EGIM, one simply multiplies a property's effective gross income by the market derived effective gross multiplier.

For purposes of this analysis, the estimated effective gross income for the subject's stabilized year is $3,109,948.

#	Address	Sale Date	Sale Price	EGIM	Operating Expense Ratio
1	4401 7th Avenue	12/19/06	$6,080,000	9.76	38%
3	2400-2434 Nostrand Avenue	5/1/06	$13,250,000	9.94	37%
4	45 Linden Blvd./55 Linen Boulevard	4/6/06	$13,600,000	8.57	51%
5	1560 Ocean Parkway	8/29/05	$5,650,000	12.02	34%
	Average			10.07	40%

The effective gross income multipliers from the sales range from 8.57 to 12.02, with an average of 10.07 and a median of 9.85. The comparable sales have operating expense ratios ranging from 34% to 51% with an average of 40%. The subject's operating expense ratio is estimated at 28%, which is below the comparable range.

Generally, there is an inverse relationship between EGIM's and expense ratios. The expense ratio is an indicator of the operating efficiency of the property. When expenses are low, more income is returned to the investors. As a result, all other factors remaining equal, informed buyers would pay more for a property with a lower expense ratio, which in turn yields a higher EGIM. The subject property has an operating expense ratio below the comparables, which would justify an EGIM above the high end of the range. We will also consider the subject's percentage of income which is derived from market rate units which leaves less somewhat less upside than many of the comparables, which contain a high ratio of well-below market stabilized units. Our Income Approach value results in an implicit EGIM of 13.75. This is reasonably above the high end of the exhibited range considering the above factors. Therefore we will apply an EGIM of 13.75.

An EGIM of 13.75 is supported by the market data and will be applied as follows:

EFFECTIVE GROSS INCOME		EGIM		VALUE	ROUNDED
$3,109,948	x	13.75	=	$42,761,785	$42,800,000

RECONCILIATION OF VALUES IN THE SALES COMPARISON APPROACH

The two units of comparison have produced the following value conclusions:

Per Unit Valuation:	**$43,200,000**
EGIM Valuation:	**$42,800,000**

The two valuation methods have produced similar values. Of the two methods employed above, the EGIM method is usually the better indicator because it explicitly reflects a property's income-generating capacity. In this case, the value derived by the EGIM is well-supported by the price per unit analysis.

In conclusion, the subject's market value via the Sales Comparison Approach is $42,800,000 for the subject property 'as completed and stabilized'.

VALUE VIA THE SALES COMPARISON APPROACH – 'AS IS'
$42,800,000

RECONCILIATION AND FINAL VALUE ESTIMATE

The estimated "as is" values arrived at by the approaches to value used in this report are as follows:

Income Approach	**$42,700,000**
Sales Comparison Approach	**$42,800,000**

The ***Income Capitalization Approach*** is considered to be a good indicator of value when market rents, stabilized expenses, capitalization rates, discount rates and vacancy rates are based on reliable market data. For our analysis, income and expenses were derived from actual and market figures and were considered reliable. Vacancy rates were based on a neighborhood survey and were considered to be reflective of market demand for the subject property. The capitalization and discount rates were derived from reliable market surveys of investor criteria.

The ***Sales Comparison Approach*** is considered a reliable indicator of value when few differences exist between the comparable sales and the subject, and the sales data collected is considered to be reliable and accurate. The sales used to estimate the value of the subject property were considered to be comparable to the subject in most respects. Similar property types in similar locations tend to sell within a consistent range, and this factor makes valuation on a per square foot basis reasonably accurate.

In the case of the subject property, the two approaches have produced highly similar value indicators. For properties such as the subject, the Income Capitalization Approach is considered more valid indicator of value than the Sales Comparison approach. The value indicated by the Income Capitalization Approach represents a prudent investor's analysis of an income producing property. Since the subject property is income producing by nature, an analysis of income, expenses, overall capitalization rates and yield rates is considered to be the more appropriate method.

Therefore, with greatest consideration given to the Income Capitalization Approach to value and with substantial support from the Sales Comparison Approach, the final "as is" market value estimate for the subject property's leased fee interest as of January 23, 2007, is

FORTY TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS
$42,700,000

ADDENDA

1. Insurable Value
2. Contingent and Limiting Conditions
3. Certification
4. Qualifications

INSURABLE VALUE

Insurable Value, as used herein, is not a market value, but rather a percentage of the estimated replacement cost that would typically be covered by an insurer in the event of damage or destruction to the subject improvements. In estimating replacement cost new, the appraiser has utilized the comparative unit method as calculated by Marshall & Swift Building Cost Survey as follows:

NAME	
Address I:	1865 Burnett Street
Address II:	New York, NY
Loan Number:	

Multiple Residences - Section 12, Page 14, Class C, Good			
Base Costs (including Builders Profit)			
Main Structure			**$81.37**
Sprinkler			**$2.00**
Other		$	
Apply Adjustments and/or Multipliers			1.44
TOTAL BASE COST PER SQUARE FOOT			***$119.93***
Multiply Building Area Square Footage			112,404
TOTAL HARD COST NEW			**$13,480,358**

EXCLUSIONS	Per S.F.	Percent		
Excavation	$	%	$	
Foundations	$	0.00%		$0
Site Work	$	%	$	
Site Improvements	$	%	$	
Architect's Fees	$	6.60%		$889,704
Underground Piping	$	%	$	
TOTAL EXCLUSIONS				$889,704

INCLUSIONS		
Appliance Packages (Multifamily only)	$	
Patios/Balconies, etc. (Multifamily only)	$	
TOTAL INCLUSIONS		$0

CONCLUDED INSURABLE VALUE	
Total Replacement Cost New	$13,480,358
Less Total Exclusions	$889,704
Add Total Inclusions	$0
CONCLUDED INSURABLE VALUE	$12,590,655

INSURABLE VALUE
$12,600,000

LAND VALUE

In order to derive a market value for the subject's land 'as vacant' we will analyze comparable land sales in the subject market. Land sales in New York City are generally analyzed per square foot of buildable area. The subject property has a zoning designation of R4 and R3-2 Residential. Therefore, the residential FAR for these zoning assignments totals 0.75 for the portion of the property zoned R4 and 0.5 for the portion of the property zoned R3-2. The total buildable area of the subject property "as of right" is 116,450 square feet (R4 Zoning: 0.75 x 148,600 square feet of site area = 111,450 buildable square feet; R3-2 Zoning: 0.50 x 10,000 square feet of site area = 5,000 buildable square feet).

We have analyzed the following land sales in order to determine a price per buildable square foot for the subject's land.

Comparable Land Sales

Sale	Address	Sale Date	Sale Price	Zoning	FAR	Buildable Area	Sale Price PSF/FAR
1	1537 East 19th Street	Mar-06	$1,540,000	R6	2.43	15,188	$101
2	5621 21st Street	Feb-06	$8,900,000	R5	2.0	65,520	$136
3	2408 Ocean Avenue	Sept-05	$2,770,000	R6	2.43	24,750	$112
4	6002-22 Bay Parkway	Jul-05	$8,000,000	R6A /C1-4	4.8	96,000	$83
5	506 Kings Highway	Apr-05	$6,000,000	R6A /C1-4	4.8	63,883	$94
6	1402-08 Ocean Parkway	Jan-05	$4,975,000	R6A/C1-4	4.8	41,294	$120

The sale prices are summarized in the following table:

	Price Per Buildable Sq. Foot
Low	$83
High	$136
Average	$108
Median	$111

Land Sales Analysis

Based on the subject's good location abutting Marine Park, as well as the advantage of the large site area, while also considering the subject's low-rise zoning potential which is considered inferior as compared to the comparables, we have concluded with a market value at the middle-to-high end of the sales range. Therefore, we have concluded with a land value of $120 per buildable square foot for the subject site. This results in the following land value estimate.

Buildable Square Foot at Subject	116,450
Value Per Buildable Square Foot	x $120
Value Conclusion	$13,974,000
Rounded	$14,000,000

ESTIMATED LAND VALUE
$14,000,000

Contingent And Limiting Conditions

1. The appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the appraisers render any opinion as to the title which is assumed to be good and marketable.

2. The appraisers are not required to give testimony or appear in court because of having made the appraisal with reference to the property in question unless arrangements have been previously made therefore.

3. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

4. The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil or structures which would render them more or less valuable. The appraisers assume no responsibility for such conditions or for engineering which might be required to discover such facts.

5. Information, estimates and opinions furnished to the appraisers and contained in the report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers can be assumed by the appraisers.

6. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the appraisers are affiliated.

7. Neither all nor any part of the content of the report or copy thereof shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgagee insurers, consultants, professional appraisal organizations, any state or federally approved financial institution without the previous written consent of the appraisers.

8. It is assumed that there will be full compliance with all applicable federal, state and local environmental regulations and laws unless nonconformity has been stated, defined and considered in this analysis.

9. It is assumed that all applicable zoning and use regulations and restrictions will be complied with unless a nonconformity has been stated, defined and considered in this analysis.

10. It is assumed that the existing or proposed improvements will conform to the Certificate of Occupancy as issued by the appropriate municipal agency.

11. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field if desired.

12. That all mortgages, liens, encumbrances, leases and servitudes have been disregarded unless so specified within this appraisal report. The property is appraised as though under responsible ownership and competent management.

13. That no survey of the property has been made by the appraisers, and no responsibility is assumed in connection with such matters. Sketches used in this appraisal report are included only to assist the reader in visualizing the property.

14. That this appraisal report is meant to be presented in its entirety. If this report is presented in any form other than its complete form, it becomes invalid.

15. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost to cure the property's potential physical characteristics, the appraisers cannot comment on compliance to ADA. A brief summary of physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

CERTIFICATION

The appraisers certify that:

- Ryan Lipsitz has personally inspected and prepared the analysis concerning the real estate that is the subject of this appraisal report.
- Joel Leitner, MAI, CRE, FRICS, has personally reviewed the analyses, opinions and conclusions concerning the real estate contained in this appraisal report and fully concurs with the final market value conclusion.
- The statements of fact contained in this report are true and correct.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions.
- The undersigned have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our compensation is not contingent on an action or event resulting from the analysis, opinions or conclusions in, or the use of, this report.
- Our analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- No one provided significant professional assistance to the persons signing this appraisal report.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- The undersigned's engagement in this assignment was not contingent upon developing or reporting pre-determined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a pre-determined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Joel Leitner, MAI, CRE, FRICS, is currently certified under the continuing education program of the Appraisal Institute. He is also certified by the State of New York as a General Real Estate Appraiser.

Ryan Lipsitz
Associate Appraiser

Joel Leitner, MAI, CRE, FRICS
Principal
State Certified General Appraiser #46-3011

QUALIFICATIONS
JOEL LEITNER, MAI, CRE, FRICS
Principal

Joel Leitner has over 20 years of experience in real estate valuation, investment analysis, and consultation. Mr. Leitner's experience includes a diversified background in the valuation of real estate on a national basis for a wide range of applications including market value appraisals, property portfolio consulting and management, investment advisory service, valuations and consulting studies for securitization-equity based and mortgage-backed transactions, purchase price allocations, liquidation sale valuations, condemnation, tax reduction, estates, and expert witness testimony for litigation. These activities have been conducted on behalf of foreign and domestic investment firms including major industrial corporations, leading foreign and domestic financial institutions, individual investors, leading law firms, and government agencies.

Mr. Leitner's areas of specialization include the following:

- Preparation of market value appraisals for all types of real estate with a full range of valuation objectives.
- Investment analysis via computer based lease-by-lease models and discounted cash flow projections before and after taxes.
- Ad valorem property appraisals.
- Litigation support.
- Consultation in the negotiations of equity investment acquisitions.
- Market and economic feasibility studies for existing property or proposed development projects.
- Purchase price allocations.

Mr. Leitner's experience in real estate valuation and consulting has encompassed an extremely diverse range of real estate. This experience includes researching and analyzing various real estate markets within the Tristate area along with testifying as an expert witness in several local and federal courts. Appraisal assignments include industrial facilities, shopping centers and malls, office and medical centers, hotel and motel facilities, and apartment complexes.

Mr. Leitner received his Masters degree in Real Estate Investment, Finance and Valuation from New York University where he presently serves as an adjunct professor in the Masters of Real Estate program. He is a member of the Appraisal Institute (MAI) with continuing education certification and serves on a national committee and the Executive Committee of the Board of Directors of the New York Chapter. Mr. Leitner was awarded the 2003 Person of the Year award from the Appraisal Institute. Mr. Leitner is a State Certified appraiser in the states of New York (#46-3011), New Jersey (#RG1545), Connecticut (#RCG.0001050), Pennsylvania (GA003488), and Maryland (28730). Mr. Leitner is a Fellow of the Royal Institute of Chartered Surveyors, a member of the Real Estate Board of New York and presently serves on its Real Estate Appraisal Committee, a member of the Counselors of Real Estate, and a member of the Mortgage Bankers Association of New York.

QUALIFICATIONS
RYAN LIPSITZ

EDUCATION:

University of Maryland, College Park, MD
B.A. Finance, Decision and Information Systems
University Honors Program

REAL ESTATE COURSEWORK:

New York University, Master of Science in Real Estate Candidate

Coursework Completed:

Real Estate Accounting
Real Estate Legal Principles and Practices
Real Estate Economics
Real Estate Valuation and Analysis
Market and Feasibility Analysis

EXPERIENCE:

Since joining Leitner Group, appraisal assignments have included the following:

- Apartment buildings
- Commercial/Office Buildings
- Condominium properties
- Cooperative properties
- Industrial properties
- Land
- Professional office units
- Proposed residential properties
- Proposed industrial properties

Prior to joining Leitner Group, Ryan was a Senior Consultant for Deloitte Consulting (part of Deloitte & Touche, LLP) specializing in the implementation of enterprise financial information systems.